



Sarah Baartman

DISTRICT MUNICIPALITY

Province of the Eastern Cape

progress through development

SARAH BAARTMAN DISTRICT MUNICIPALITY

**Annual Financial Statements and
Annual Performance Report
for the year ended 30 June 2017**

SARAH BAARTMAN DISTRICT MUNICIPALITY

**Financial statements
for the year ended 30 June 2017**

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

General Information

Legal form of Entity

District Municipality (DC10)

Jurisdiction

Sarah Baartman District

Nature of business and principal activities

Municipal services

Registered office

32 Govan Mbeki Ave
Standard Bank Building
Port Elizabeth
6001

Postal address

P O Box 318
Port Elizabeth
6000

Mayoral committee

Executive Mayor

Councillors

KE Kekana (Ms)

N J O'Connel

Z J Peter

V S Stuurman

K Ncamiso (Ms)

S Lucas

Accounting Officer

D M Pillay

Chief Finance Officer (CFO)

R N Lorgat

Preparer

The financial statements were internally compiled by:

R N Lorgat

Auditors

Office of the Auditor-General

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

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Abbreviations

CDA	Cacadu Development Agency
DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
SARS	South African Revenue Services
SBDM	Sarah Baartman District Municipality
VAT	Value Added Taxation

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

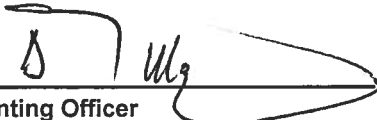
The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Municipality to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the financial year and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the spectrum. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on page 4 to 66, which have been prepared on the going concern basis, were approved by the Accounting Officer on 15 November 2017 and signed hereunder.


Accounting Officer

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated
Assets			
Current Assets			
Receivables from exchange transactions	4	1,717,727	1,717,517
Receivables from non-exchange transactions	5	2,447,817	3,354,486
VAT receivable	6	4,742,570	1,779,647
Deposits paid	7	15,410	852,563
Short-term investments	8	117,000,000	135,000,000
Cash and cash equivalents	9	104,943,853	98,204,591
		230,867,377	240,908,804
Non-Current Assets			
Investment property	10	12,643,000	12,643,000
Property, plant and equipment	11	17,861,420	16,172,985
Intangible assets	12	1,517,079	86,885
Heritage assets	13	16,212,500	16,212,500
Long-term receivables	14	237,944	187,582
		48,471,943	45,302,952
Total Assets		279,339,320	286,211,756
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	35,271,837	25,555,807
Post employment medical benefit	17	4,172,583	3,848,652
Provisions	18	1,068,324	719,459
		40,512,744	30,123,918
Non-Current Liabilities			
Long-term portion of infrastructure levies	15	1,122,570	1,022,570
Post employment medical benefit	17	55,691,774	59,093,676
		56,814,344	60,116,246
Total Liabilities		97,327,088	90,240,164
Total assets less liabilities		182,012,232	195,971,592
Net Assets			
Accumulated surplus	20	182,012,232	195,971,592

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated
Revenue			
Rental of facilities and equipment	21	1,367,167	1,394,663
Government grants & subsidies	22	86,525,000	95,432,020
		87,892,167	96,826,683
Other income			
Reduction in provision for debt impairment		1,118,795	8,154,268
Actuarial gain on post employment medical benefit	17	4,847,635	4,084,028
Income from agency services	21	50,023	45,797
Interest income	21	18,568,768	18,054,689
Other revenue	21	1,189,681	647,003
		25,774,902	30,985,785
Expenses			
Bad debts written off		(867,900)	(124,199)
Conditional grant expenditure	23	(3,862,375)	(12,497,854)
Contracted services		(3,888,006)	(2,863,326)
Depreciation	11	(1,556,279)	(1,512,240)
Discounting of post employment medical benefit	17	(5,429,480)	(5,317,885)
Employee costs	24	(41,151,681)	(45,180,372)
Impairment	11	(25,811)	(34,614)
Fines and penalties	48	(2,375)	(4,000)
General expenses - other	46	(44,214,138)	(48,037,612)
Loss on disposal of assets		(1,251,008)	(230,428)
Other grants and subsidies paid	23	(24,593,148)	(15,308,799)
Repairs and maintenance		(784,228)	(627,129)
		(127,626,429)	(131,738,458)
Deficit for the year		(13,959,360)	(3,925,990)

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	76,957,915	163,137,564	240,095,479
Adjustments			
Prior year adjustments (refer to note 28)	(76,957,915)	36,581,299	(40,376,616)
Balance at 01 July 2015 as restated	-	199,718,863	199,718,863
Changes in net assets			
Deficit for the year	-	(3,925,990)	(3,925,990)
Total changes	-	(3,925,990)	(3,925,990)
Opening balance as previously reported	-	195,792,873	195,792,873
Adjustments			
Prior year corrections (refer to note 28)	-	178,719	178,719
Balance at 01 July 2016 as restated	-	195,971,592	195,971,592
Changes in net assets			
Deficit for the year	-	(13,959,360)	(13,959,360)
Total changes	-	(13,959,360)	(13,959,360)
Balance at 30 June 2017	-	182,012,232	182,012,232
Note(s)	19	20	

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated
<u>Cash flows from operating activities</u>			
Receipts			
Grants		86,525,000	86,418,521
Interest income		18,588,814	18,276,686
Other receipts		1,669,202	6,670,884
		<u>106,783,016</u>	<u>111,366,091</u>
Payments			
Employee costs		(40,802,816)	(44,875,161)
Cash paid to suppliers		(27,843,529)	(29,669,979)
Fines and penalties		(2,375)	(433)
Other payments		(40,157,906)	(52,566,221)
		<u>(108,806,626)</u>	<u>(127,111,794)</u>
Net cash flows from operating activities	29	<u>(2,023,610)</u>	<u>(15,745,703)</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	11	(4,682,932)	(1,403,299)
Proceeds from sale of property, plant and equipment		161,397	205,324
Purchase of other intangible assets	12	(1,430,194)	-
(Increase) / Decrease in deposits	7	837,153	(837,153)
(Increase) / decrease in long term receivables		(50,362)	(5,102)
Net cash flows from investing activities		<u>(5,164,938)</u>	<u>(2,040,230)</u>
<u>Cash flows from financing activities</u>			
Repayment of other financial liabilities	17	(4,072,190)	(3,994,432)
Increase / (decrease) in short-term investments		18,000,000	36,000,000
Net cash flows from financing activities		<u>13,927,810</u>	<u>32,005,568</u>
Net increase/(decrease) in cash and cash equivalents		6,739,262	14,219,635
Cash and cash equivalents at the beginning of the year		98,204,591	83,984,956
Cash and cash equivalents at the end of the year	9	<u>104,943,853</u>	<u>98,204,591</u>

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Investment revenue	14,000,000	4,375,000	18,375,000	-	-	18,375,000	18,568,768		193,768	101 %	133 %
Transfers recognised - operational	86,525,000	1,800,000	88,325,000	-	-	88,325,000	86,525,000		(1,800,000)	98 %	100 %
Other own revenue	42,223,300	13,413,400	55,636,700	-	-	55,636,700	8,573,301		(47,063,399)	15 %	20 %
Total revenue (excluding capital transfers and contributions)	142,748,300	19,588,400	162,336,700	-	-	162,336,700	113,667,069		(48,669,631)	70 %	80 %
Employee costs	(46,963,200)	-	(46,963,200)	-	-	(46,963,200)	(34,593,112)		12,370,088	74 %	74 %
Remuneration of councillors	(7,313,700)	-	(7,313,700)	-	-	(7,313,700)	(6,558,569)		755,131	90 %	90 %
Depreciation and asset impairment	(1,680,000)	-	(1,680,000)			(1,680,000)	(1,582,090)		97,910	94 %	94 %
Transfers and grants	(27,011,000)	(2,000,000)	(29,011,000)	-	-	(29,011,000)	(28,455,523)		555,477	98 %	105 %
Other expenditure	(59,780,400)	(17,588,400)	(77,368,800)	-	-	(77,368,800)	(56,437,135)		20,931,665	73 %	94 %
Total expenditure	(142,748,300)	(19,588,400)	(162,336,700)	-	-	(162,336,700)	(127,626,429)		34,710,271	79 %	89 %
Surplus/(Deficit)	-	-	-	-	-	-	(13,959,360)		(13,959,360)	-	-
Surplus/(Deficit) for the year	-	-	-	-	-	-	(13,959,360)		(13,959,360)	-	-
Capital expenditure and funds sources											
Total capital expenditure	(3,862,500)	(3,933,500)	(7,796,000)	-	-	(7,796,000)	(6,113,126)		1,682,874	78 %	158 %
Sources of capital funds											
Internally generated funds	3,862,500	3,933,500	7,796,000	-	-	7,796,000	6,113,126		(1,682,874)	78 %	158 %

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Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	1,680,000	-	1,680,000	-	-	1,680,000	(2,023,610)		(3,703,610)	-	-
Net cash from (used) investing	(3,862,500)	(3,933,500)	(7,796,000)	-	-	(7,796,000)	(5,164,938)		2,631,062	66 %	134 %
Net cash from (used) financing	-	-	-	-	-	-	13,927,810		13,927,810	-	-
Net increase/(decrease) in cash and cash equivalents	(2,182,500)	(3,933,500)	(6,116,000)	-	-	(6,116,000)	6,739,262		12,855,262	(110)%	(309)%
Cash and cash equivalents at the beginning of the year	98,204,591	(2,182,500)	96,022,091	-	-	96,022,091	98,204,591		2,182,500	102 %	100 %
Cash and cash equivalents at year end	96,022,091	(6,116,000)	89,906,091	-	-	89,906,091	104,943,853		(15,037,762)	117 %	109 %

The actuals presented are on a comparable basis. Refer to Note 47 for explanations on material variances.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of financial statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

All figures in the financial statements are rounded up to the nearest Rand.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Basis of Preparation

Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies are consistent with the previous period.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the International Financial Reporting Standards and the International Public Sector Accounting Standards (IPSAS), where applicable, in terms of Directive Five including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies have been applied to ensure that the financial statements provide information that is relevant to the decision-making needs of users and are reliable.

Basis of measurement

The financial statements have been prepared on the accrual basis.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Basis of Preparation

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

Estimates and judgements are made to identify impairments required to be made to assets. The condition of the assets are assessed together with the use of the asset to determine whether an impairment is required.

The useful life of an asset is reviewed annually and management assess the condition and the usefulness of the asset at each reporting date to determine the remaining useful life of the assets.

Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Cost model

Investment property is carried at cost less accumulated depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

<u>Item</u>	<u>Useful life</u>
Property - land	indefinite
Property - buildings	50 years

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Investment property (continued)

Derecognition

Investment property is derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses

Gains or losses arising from the derecognition of investment property (difference between carrying amount and net disposal proceeds) are included in surplus or deficit.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial measurement

Property, plant and equipment is initially measured at cost.

The "initial measurement" of property, plant and equipment, upon its "initial recognition" refers to property, plant and equipment's value when the current basis of accounting was first adopted, i.e. 1 July 2005. The "cost" of property, plant and equipment upon "initial recognition" is either its cost or fair value at initial recognition. The "cost" of land and buildings on 1 July 2005 would constitute its fair value on that date as no cost is available. The "cost" of other assets would be its carrying amount (cost less accumulated depreciation) as at that date on the assumption that the carrying amount represents the asset's fair value at 1 July 2005 if the asset was acquired prior to this date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at cost (fair value at acquisition). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

On acquisition of items of property, plant and equipment, the useful lives are assessed as follows:

<u>Item</u>	<u>Average useful life</u>
Buildings	50
Furniture and fixtures	7 - 15
Motor vehicles	5 - 10
Office equipment	2 - 10
Computer equipment	2 - 10
Bins and containers	5 - 10
Specialised vehicles	5 - 20
Specialised Plant and Equipment	5 - 15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Where a reversal occurs, the recoverable amount is limited to the carrying amount where no impairment occurred.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Impairment

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Where a reversal occurs, the recoverable amount is limited to the carrying amount where no impairment occurred.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gains and losses

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Intangible assets

An asset is identifiable as an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost will be measured at fair value at the day of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired, impairment to the asset will be made.

Reassessing the useful life of an intangible asset with a finite useful life, after it was classified as indefinite, is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<u>Item</u>	<u>Useful life</u>
Computer software	indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Investments

The municipality classifies its investments as "Financial assets at amortised cost".

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at amortised cost are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Financial assets at amortised cost, receivable within 3 months are included in cash and cash equivalents in the Statement of Financial Position.

Investments are initially measured at fair value and subsequently at amortised cost.

1.8 Heritage assets

Assets are resources controlled by the municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an residual interest instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for residual interest investments for which a fair value is not determinable, which are measured at cost.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

Impairment losses are recognised in surplus or deficit.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Cash and cash equivalents

Cash includes cash on hand and cash held at banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents are classified as "Financial asset at amortised cost" and are initially measured at cost. Subsequent measurement is at fair value plus / minus transaction costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition:

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.10 VAT

The municipality accounts for Value Added Tax on the invoice basis.

The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

VAT is submitted on a monthly basis to SARS.

Measurement

Initial measurement is at cost. Subsequent measurement is at amortised cost.

Derecognition

VAT is derecognised when the net payment is paid or received from SARS, whichever is applicable when the VAT return is presented.

1.11 Grants, transfers and donations

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the asset recognition criteria have been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised. Revenue is recognised and the liability is decreased as the conditions associated with the grant is met.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Municipality as the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.12 Leases (continued)

Municipality as the lessee

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

1.13 Segmental information

The principal segments have been identified on a primary basis by classification of the revenue and expenditure in terms of the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices B and C.

The standard is not effective in the current year.

1.14 Receivables from exchange and non-exchange transactions

Receivables are classified as "Financial assets at amortised cost" and are initially recognized at fair value. Subsequent measurement is at amortised cost. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified based on an assessment on the recoverability of the receivable. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.15 Payables from exchange and non-exchange transactions

Payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised cost.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.16 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefits

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the municipality for the remaining 70%. The medical aid contributions are charged to the Statement of Financial Performance as they fall due.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefit contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine their present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis, using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the Statement of Financial Performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Financial Performance.

Accrued leave pay

The leave pay accrual is calculated taking into account the actual number of days accrued and the remuneration as at 30 June.

Other short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31 and 32.

1.18 Revenue from exchange transactions

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered.

Income collected on behalf of "third parties" is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the service level agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

All other revenue is recognised as it accrues.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.19 Revenue from non-exchange transactions

Donations are recognised on a cash receipt basis, or where the donation is in the form of property, plant and equipment, at the fair value of the asset at the date of acquisition.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act no. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised.

1.20 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

1.21 Grants-in-aid

The Council transfers money, from time to time, to individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act 56 of 2003.

When making these transfers, SBDM does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expected to be repaid in future; or
- Expected a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as an expense in the period with which the events giving rise to the transfer occurred.

1.22 Comparative information

When the presentation or classification of items in the annual financial statements is amended, the prior period comparative amounts are restated and the nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA, means expenditure incurred by a municipality in contravention of, or that is not in accordance with requirements of the following Acts or Regulation, and which has not been condoned:

- Municipal Finance Management Act
- Municipal Systems Act
- Public Office-Bearers Act
- Municipal Supply Chain Management Regulations or related by-laws

The irregular expenditure excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned / written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.26 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.27 Events after reporting date

Management conducts an assessment on any events occurring subsequent to the end of the reporting date and prior to the finalisation of the financial statements to identify any incidents that would provide the user with additional information that could influence decision-making and the usefulness of the financial statements. This information is then disclosed accordingly in the financial statements.

1.28 Unutilised conditional grants

Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a short-term portion of unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The grant received is initially recognised at cost as unspent conditional grants.
- Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a grant, an amount equal to the expenditure is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The unspent grant is classified as "Financial liabilities at amortised cost".

Subsequent measurement

Unspent conditional grants are subsequently measured at amortised cost if material.

Derecognition

Unspent conditional grants are derecognised when the balance was expended per the conditions as set for a grant.

1.29 Effective interest rate

The entity uses the prime interest rate less 0.5% to discount future cash flows.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.30 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects at the reporting date that will be incurred subsequent to the reporting date. The capital commitment disclosed identifies awards entered into by the municipality against the capital projects as well as a commitment upon approval of a budget for a capital project, where an award has not yet been made.

1.31 Budget information

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting.

1.32 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

All transactions with related parties are disclosed.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of Directive 11 - Changes in Measurement Bases following the Initial Adoption of Standards of GRAP.

In applying paragraph 13(b) of GRAP 3, this Directive allows the municipality, that has initially adopted the fair value model for investment property and the revaluation model for property, plant and equipment and heritage assets for all land and buildings, to change its accounting policy on a once-off basis to the cost model following the initial adoption of these Standards of GRAP.

In accordance with GRAP 3, the municipality applied the change in accounting policy retrospectively and provided disclosures that will ensure that the information enclosed in the financial statements is relevant and reliable.

The retrospective adjustment due to the change in the measurement basis as at 30 June 2015 will be as follows:

Revaluation Reserve:	R76 957 915 reversal
Property, Plant and Equipment:	R 8 009 535 reduction
Investment Property:	R13 319 500 reduction
Heritage Assets:	R18 815 500 reduction

Refer to Note 28 for Restatement of prior year figures.

3. New standards and interpretations

3.1 Standards and interpretations effective in the current year

In the current year, the municipality has not adopted any new standards. The following standard and interpretations are however effective for the current financial year and are relevant to its operations:

<u>Standard/ Interpretation:</u>	<u>Effective date: Years beginning on or after</u>	<u>Expected impact:</u>
GRAP 18: Segment reporting	To be determined	The effects on the financial statements is limited as the standard is being implemented. However, the effective date for municipalities is to be determined by the Minister of Finance

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
4. <u>Receivables from exchange transactions</u>		
Accrued Interest	1,076,099	1,096,145
Accrued Rent	262,594	214,457
Rental	105,909	171,321
Salaries and Wages Debtors	363,503	391,383
Allowance for impairment	(90,378)	(155,789)
	1,717,727	1,717,517

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 288,430 (2016: R 288,430) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Over 6 months	288,430	288,430
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Receivables from exchange transactions impaired

As of 30 June 2017, receivables from exchange transactions of R 90378 (2016: R 155,789) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	12,892	688
Over 6 months	77,486	155,101

5. Receivables from non-exchange transactions

Department of Housing (housing scheme)	-	867,900
General debtors	1,042,455	3,095,605
Other receivables	949,986	-
Prepayments	511,010	500,000
Allowance for impairment	(55,634)	(1,109,019)
	2,447,817	3,354,486

The impairment provision was reduced by an amount of R1 053 385 during the current year which relates mainly to the Department of Housing's receivable that was written off, amounting to R867 900.

Receivables from non-exchange transactions past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 12 694 (2016: R 166 708) were past due but not impaired.

The amount of R12 694 is owed by SANRAL for a property disposed of by the municipality. The property is in the process of being transferred to the purchaser. The municipality would therefore only receive the selling price upon finalisation of the transfer of the property. No impairment was therefore considered necessary on this debtor.

The ageing of amounts past due but not impaired is as follows:

over 365 days	12,694	166,708
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SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2017, receivables of R 55,634 (2016: R 1,109,019) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	-	228,154
over 365 days	55,634	880,865

6. VAT receivable

Value added taxation	4,742,570	1,779,647
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All VAT returns have been submitted by their due dates throughout the year.

VAT is accounted for on the invoice basis. No discounting was performed.

7. Deposits paid

Deposits - Electricity	5,000	5,000
Deposits - Post Office	9,000	9,000
Deposits - Parking Grace Street	1,410	1,410
Deposits - Installation of new lifts to the office building	-	837,153
	15,410	852,563

8. Short-term investments

All short-term investments that will mature more than 3 months, but less than 12 months after the reporting date, is classified as short-term investments and do not form part of cash and cash equivalents.

Short-term investments	117,000,000	135,000,000
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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,100	6,100
Bank balances	3,937,753	3,198,491
Short-term deposits	101,000,000	95,000,000
	104,943,853	98,204,591

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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9. Cash and cash equivalents (continued)

Short-term deposits

Cash and cash equivalents are classified as a financial asset under Loans and Receivables at amortised cost. All short-term deposits mature within 3 months after the reporting date.

No discounting was performed due to the short term nature of the cash turnover and the fact that all investments earned interest. The fair value of cash and cash equivalents approximates their carrying amounts. No cash deposits were ceded as collateral.

The return on investments for 2017 fluctuated between 7.16% and 8.55%. (2016: 6.63% and 7.49%).

Short-term investments	75,000,000	63,000,000
Call Account Deposits	26,000,000	32,000,000
Total short-term deposits	101,000,000	95,000,000

Allocation of cash and cash equivalents

Post employment medical benefit	59,864,357	62,942,328
Infrastructure projects from Levies	1,612,570	1,612,570
Accrued leave pay	1,305,656	1,728,527
Unappropriated surplus	42,161,270	31,921,166
Total	104,943,853	98,204,591

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand		2017	2016
9. Cash and cash equivalents (continued)			
<u>SBDM has the following bank account</u>			
Bank details	Bank statement balances	Cash book balances	
	30 June 2017	30 June 2016	30 June 2015
ABSA Limited	4,585,571	5,339,466	3,936,350
32 Govan Mbeki Avenue			
Port Elizabeth			
Current Account (Primary account):			
1640-000-062		3,937,753	3,198,491
			978,856

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

	2017	2016
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10. Investment property

	2017		2016		
Valuation	Accumulated depreciation and impairment	Carrying value	Valuation	Accumulated depreciation and impairment	Carrying value
Investment property	12,643,000	-	12,643,000	-	12,643,000

Details of Investment Property held at Cost

The municipality has retrospectively implemented Directive 11 being the Changes in the measurement bases following the initial adoption of the Standards of GRAP. Directive 11 has been elected to change the measurement bases for all Land and Buildings on the initial adoption of Standards of GRAP from the fair value method to the cost method. The application of the new accounting policy will provide the municipality with more reliable, relevant and consistent financial information.

The retrospective adjustment due to the change in measurement basis has resulted in a reduction of R13 319 500 in Investment Property. Refer to Note 28 for Restatement of prior year figures.

No operating expenditure was incurred by the municipality on the Investment Properties during the current and previous financial year.

Investment properties are leased mainly to organs of state and the rentals are not market related. The rental revenue received for the year is R15 763 (2016: R15 138).

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

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11. Property, plant and equipment

	2017		2016			
	Valuation	Accumulated depreciation and impairment	Carrying value	Valuation	Accumulated depreciation and impairment	Carrying value
Land - cost	1,754,636	-	1,754,636	1,754,636	-	1,754,636
Buildings - cost	6,741,521	-	6,741,521	3,957,567	-	3,957,567
Specialised plant and machinery	2,053,732	(1,292,960)	760,772	2,056,774	(1,211,446)	845,328
Furniture and fixtures	2,369,059	(1,221,214)	1,147,845	2,417,658	(1,120,541)	1,297,117
Motor vehicles	8,465,568	(4,138,710)	4,326,858	8,915,219	(3,893,877)	5,021,342
Office equipment	2,491,510	(935,091)	1,556,419	2,501,706	(853,339)	1,648,367
Computer equipment	4,264,572	(2,811,475)	1,453,097	3,917,093	(2,401,569)	1,515,524
Bins and containers	98,988	(56,197)	42,791	98,988	(48,262)	50,726
Specialised vehicles	275,159	(197,678)	77,481	275,159	(192,781)	82,378
Total	28,514,745	(10,653,325)	17,861,420	25,894,800	(9,721,815)	16,172,985

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land - cost	1,754,636	-	-	-	-	1,754,636
Buildings - cost	3,957,567	2,783,954	-	-	-	6,741,521
Specialised plant and machinery	845,328	-	(987)	(76,832)	(6,737)	760,772
Furniture and fixtures	1,297,117	1,268	(13,640)	(135,042)	(1,858)	1,147,845
Motor vehicles	5,021,342	1,266,462	(1,308,000)	(652,946)	-	4,326,858
Office equipment	1,648,367	166,285	(60,128)	(195,572)	(2,533)	1,556,419
Computer equipment	1,515,524	464,963	(29,652)	(483,055)	(14,683)	1,453,097
Bins and containers	50,726	-	-	(7,935)	-	42,791
Specialised vehicles	82,378	-	-	(4,897)	-	77,481
Total	16,172,985	4,682,932	(1,412,407)	(1,556,279)	(25,811)	17,861,420

Financial Statements for the year ended 30 June 2017

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Reconciliation of property, plant and equipment - 2016

Specialised vehicles

No assets were pledged as security during the current and previous year.

SARAH BAARTMAN DISTRICT MUNICIPALITY

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11. Property, plant and equipment (continued)

Other information

There are no assets on the fixed asset register that are fully depreciated and still in use. All assets that are fully depreciated or impaired are separately located and will be disposed of in terms of a Council resolution.

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

12. Intangible assets

	2017		2016	
Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment
1,517,079	-	1,517,079	86,885	-
Computer software				86,885

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Total
Computer software	86,885	1,430,194	1,517,079

Reconciliation of intangible assets - 2016

	Opening balance	Total
Computer software	86,885	86,885

SARAH BAARTMAN DISTRICT MUNICIPALITY

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12. Intangible assets (continued)

Computer software

CQS Software

CQS Software (Caseware) is used as an aid in the preparation of the annual financial statements. The implementation of the software consist of two components i.e. template and annual licence fees. The template is an once off purchase and has an infinite lifespan. The annual licence fee is required to operate the template and is expensed annually.

Financial System (APPX)

The financial system was initiated through an annual licence fee with no initial purchase price. The software was then internally developed to meet the financial and other processing and reporting requirements of the municipality. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the cost cannot be measured reliably. The major cost of development of the system was incurred between 1987 and 1989. Subsequently, the major portion of costs to date was incurred for the maintenance of the system.

Performance Management System

The performance management system was developed internally with the use of a consultant. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the internal cost cannot be measured reliably. The cost of the consultant however amounted to R258 959.

SAGE Evolution

The SAGE Evolution System was procured during the financial year to ensure that the municipality meets the Municipal Standard Chart of Accounts requirements which is effective from 1 July 2017. The intangible asset is regarded as work in progress at year end as the system was not ready for use as at 30 June 2017.

SARAH BAARTMAN DISTRICT MUNICIPALITY

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13. Heritage assets

	2017		2016	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
				Accumulated impairment losses
				Carrying value
Conservation areas	16,212,500	-	16,212,500	-
				16,212,500

Heritage assets held at cost

The municipality has retrospectively implemented Directive 11 being the Changes in the measurement bases following the initial adoption of the Standards of GRAP. Directive 11 has been elected to change the measurement bases for all Land and Buildings on the initial adoption of Standards of GRAP from the fair value method to the cost method. The application of the new accounting policy will provide the municipality with more reliable, relevant and consistent financial information.

The retrospective adjustment due to the change in measurement basis has resulted in a reduction of R18 815 500 in Heritage assets. Refer to Note 28 for Restatement of prior year figures.

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

SARAH BAARTMAN DISTRICT MUNICIPALITY

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14. Long-term receivables		
Disciplinary action recoveries	186,196	155,696
Study advances	51,748	31,886
	237,944	187,582

Classified as a financial asset and measured at amortised cost.

Study advances relates to amounts paid on behalf of employees to tertiary institutions for the furthering of the employees' development. These advances are repaid monthly, in terms of the agreements with the applicable employees, in the event of the employees not passing their respective modules.

15. Payables from exchange transactions

Accrued annual bonus	418,855	439,946
Accrued expenses	8,367,772	13,811,046
Accrued leave pay *	1,305,656	1,728,527
Employee costs	48,433	66,720
Ikwezi Municipality - MIG	67,084	67,084
Infrastructure levies	490,000	590,000
Makana Municipality - MIG	22,084,677	8,173,222
Makana Municipality - MIG Interest	1,333,348	-
Payments in advance - Other	123,918	3,756
Provincial pensioners	428,290	507,611
Sundry creditors	9,049	10,200
Trade payables	594,164	157,104
Unidentified deposits	591	591
	35,271,837	25,555,807

* Not financial liabilities.

Normal terms of payment is 30 days and no amortisation was calculated.

Infrastructure levies

The infrastructure levies included in payables from exchange transactions is short-term in nature and is expected to be utilised within a 12 month period.

The long-term portion of the infrastructure levies is classified under non-current liabilities as the amount is not expected to be utilised within the next 12 months due to uncertainties surrounding the related projects and amounts to R1 122 570 (2015: R1 022 570).

Makana Municipality MIG

The municipality received an amount of R36.3 million through the Division of Revenue Act on behalf of Makana Municipality. The grant was transferred to SBDM to ensure proper management of the grant funds in terms of the MFMA and the grant conditions. A Service Level Agreement was entered into between the SBDM and Makana Municipality to manage the proper disbursement of the current MIG allocation as well as the approved rollover amount. An application for rollover of the balance was made in the prior year to National Treasury by the SBDM and was successful.

SARAH BAARTMAN DISTRICT MUNICIPALITY

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15. Payables from exchange transactions (continued)

Ikwezi Municipality MIG

The municipality received an amount of R3.3 million through the Division of Revenue Act on behalf of Ikwezi Municipality in the prior year. The grant was transferred to SBDM to ensure proper management of the grant funds in terms of the MFMA and the grant conditions. A Service Level Agreement was entered into between the SBDM and Ikwezi Municipality to manage the proper disbursement of the grant. An application for rollover of the balance was made in the prior year to National Treasury by the SBDM and was successful. The funds were not yet claimed by Dr Beyers Naude Municipality (established upon the amalgamation of Ikwezi, Bavians and Camdeboo Local Municipalities).

Provincial pensioners

When the roadworks, emergency medical services and health function was transferred to Province, the municipality was requested to administer the payments to pensioners as the provincial system could not accommodate past employees. An agreement was entered into between the municipality and Province whereby Province would pay the pensioners' annual amount to the municipality and the municipality administers the monthly payment.

16. Unspent conditional grants and receipts

The balance for the Unspent conditional grants and receipts for both the current year and prior year in Rnil.

See note 49 and 50 for disclosure requirements in terms of section 123 (1) of the MFMA.

A complete list of all conditions are available for viewing at the municipality during office hours.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

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17. Post-employment medical benefit

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	62,942,328	65,388,009
Contributions (benefits) paid	(4,072,190)	(3,994,431)
Current service costs	412,374	314,893
Actuarial (gain) / loss	(4,847,635)	(4,084,028)
Interest costs (discounting)	5,429,480	5,317,885
	59,864,357	62,942,328

The estimated expected timing of resulting outflows of post employment medical benefits are:

Within one year	4,172,583	3,848,652
Later than one year, not later than five years	14,959,798	14,088,357
Later than five years	40,731,976	45,005,319
	59,864,357	62,942,328

The amounts recognised in the statement of financial position are as follows:

Long-term portion of post-employment medical benefit	(55,691,774)	(59,093,676)
Short-term portion of post-employment medical benefit	(4,172,583)	(3,848,652)
	(59,864,357)	(62,942,328)

The present value of the defined benefit obligation for the current annual period compared to the previous four annual periods are as follows:

Financial period 2012/2013	63,481,921
Financial period 2013/2014	62,002,301
Financial period 2014/2015	65,388,009
Financial period 2015/2016	62,942,328
Financial period 2016/2017	59,864,357

Accumulative actuarial gains and losses

Balance at the beginning of the year	(8,778,378)	(12,862,406)
Projected during the year	4,847,635	4,084,028
	(3,930,743)	(8,778,378)

SARAH BAARTMAN DISTRICT MUNICIPALITY

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17. Post-employment medical benefit (continued)

Post Retirement fund benefits

Employees and council contribute to Cape Joint Retirement Fund on the basis of a fixed contribution, which is charged against income as incurred.

The municipality's net obligation in respect of post employment medical benefits was calculated by ARCH Actuarial Consulting as at 30 June 2017 and 30 June 2016. The provision was established for the purpose of generating interest that is utilised to fund the yearly medical scheme commitments in respect of post employment medical benefits. The expected future outflows is dependent upon the life expectancy of existing members and their spouses.

82 Principle members are currently covered by the fund (2016 : 84 members).

Valuation method

Pre-retirement benefits

The death in-service benefit is regarded as a post-employment liability under the requirements of the Standards of GRAP 25, which is based on IAS 19.

Post-retirement benefits

The method of accrual that has been used in the valuation is based on the length of service at the valuation date relative to the total potential service until the expected retirement date. The future-service liability is the difference between the total liability and the past-service liability.

Accrued defined benefit obligation

The accrued liability is the value of the employer's share of the contribution - based liability.

Current service cost

The current service cost for the following year is determined as the amount assumed to accrue to the member over the next twelve months.

Value assumptions

Rate of interest

Medical aid inflation rate 7.62% p.a.

Investment return 9.32% p.a.

The discount rate was deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017. The corresponding index-linked yield at this term was 2.55% using the discount rate of 9.32% per annum.

A Health Care Cost inflation rate of 7.62% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.12%. A larger differential will be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.59%. The expected inflation assumption of 6.12% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.55%) and those of fixed interest bonds (9.32%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

The next contribution increase was assumed to occur with effect from 1 January 2018.

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17. Post-employment medical benefit (continued)

Mortality rates

Mortality for pre-retirement benefits has been based on the SA 85-90 mortality table rated down by three years for females and on the PA (90) ultimate table, adjusted downwards by one year of age for males.

Average retirement age

The Normal Retirement Age for the municipality is 65 years for employees. It has been assumed that in-service members will retire at the age of 63 years, which then implicitly allows for expected rates of ill-health, early and late retirement.

Family profile

It was assumed that female spouses will be 3 years younger than their male counterparts. Further, it was assumed that 90% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Withdrawals

Where an in-service member leaves, the employer's liability in respect of the employee ceases and caution was taken in not overstating the withdrawal rates. The assumed rates are as follows:

Age	Females	Males
20	24%	16%
25	24%	16
30	18%	12%
35	15%	10%
40	10%	8%
45	6%	6%
50	4%	4%
55	2%	2%
>55	0%	0%

Medical aid contributions at retirement

It is assumed that all the members will remain members of the medical aid scheme after retirement and that members would be in the same contribution category in all future years as on the valuation date.

Funding of Benefit

The post-employment medical benefit is funded - refer to Note 9.

SARAH BAARTMAN DISTRICT MUNICIPALITY

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18. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	236,542	49,391	(50,814)	(185,728)	49,391
Long service bonus	482,917	1,018,933	(434,804)	(48,113)	1,018,933
Balance at end of year	719,459	1,068,324	(485,618)	(233,841)	1,068,324

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	212,783	236,542	(203,026)	(9,757)	236,542
Long service bonus	201,465	482,917	(76,652)	(124,813)	482,917
	414,248	719,459	(279,678)	(134,570)	719,459

Performance bonus provision

Performance bonuses are calculated based on performance agreements, which are linked to key performance indicators in the performance plans of the Municipal Manager and Directors. The key performance indicators is directly linked to the Service Delivery and Budget Implementation Plan. Bonuses are expected to be paid during the following financial year dependent on the outcome of the performance reviews and council approval.

Long service bonus provision

Long service bonuses are calculated based on South African Local Government Association regulations. These bonuses are payable in the financial year in which the employees reach the required number of years of service.

19. Revaluation Reserve

The municipality has retrospectively implemented Directive 11 being the Changes in the measurement bases following the initial adoption of the Standards of GRAP. Directive 11 has been elected to change the measurement bases for all Land and Buildings on the initial adoption of Standards of GRAP from the fair value method to the cost method. The application of the new accounting policy will provide the municipality with more reliable, relevant and consistent financial information.

The retrospective adjustment due to the change in measurement basis has resulted in the reversal of the Revaluation Reserve which amounted to R76 957 915.

Refer to Note 28 for Restatement of prior year figures.

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20. <u>Accumulated surplus</u>		
<u>The accumulated surplus is reserved for the following purpose:</u>		
General	182,012,232	195,971,592
<u>The cash backed portion of the accumulated surplus is ring fenced for the following purpose:</u>		
General	167,012,232	180,971,592
Restructuring grant funds allocated to surplus	15,000,000	15,000,000
	182,012,232	195,971,592
21. <u>Total Revenue - includes</u>		
<u>Other revenue:</u>		
Settlement discount received	25,550	25,000
Contribution from skills development fund	81,155	61,429
Job evaluation fees	974,127	500,035
Tender deposits	31,711	20,746
Other	77,138	39,793
Total other revenue	1,189,681	647,003
 Revenue from exchange transactions		
Rental	1,367,167	1,394,663
Interest income	18,568,768	18,054,689
Income from agency services	50,023	45,797
Total revenue from exchange transactions (excl VAT)	19,985,958	19,495,149
 Revenue from non exchange transactions		
Government grants and subsidies	86,525,000	95,432,020
Reduction in provision for debt impairment	1,118,795	8,154,268
Actuarial gain on post employment medical benefit	4,847,635	4,084,028
Other revenue	1,189,681	647,003
Total revenue from non exchange transactions	93,681,111	108,317,319
 Total revenue from exchange and non exchange transactions	113,667,069	127,812,468
 Revenue	87,892,167	96,826,683
Other income	25,774,902	30,984,820
Total revenue from exchange and non exchange transactions	113,667,069	127,812,468

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22. Government grants and subsidies

Equitable share	82,014,000	80,759,000
Grant funding - expenditure reimbursement	4,511,000	14,673,020
	86,525,000	95,432,020

Equitable Share

In terms of the Constitution, this grant is used to finance the operations of the institution.

DORA

Current-year receipts	4,511,000	5,523,000
Conditions met - transferred to revenue	(4,511,000)	(5,523,000)
Total Government Grants	-	-

The following conditional grants were received through the DORA allocations during the financial year:

R1 250 000 - Finance Management Grant (FMG)
R1 000 000 - Expanded Public Works Programme Grant (EPWPG)
R2 261 000 - Rural Roads Asset Management Grant

The conditions of the above grants has been met and the full amounts were transferred to revenue during the year.

23. Conditional grants expenditure and other grants and subsidies paid

Under conditional grant expenditure	3,862,375	12,497,854
Under employee costs	107,893	491,603
Under contracted services and general expenses	-	41,557
Total conditional grants and subsidies paid	3,970,268	13,031,014

Other grants and subsidies paid

Sundries	93,148	76,799
Fire services subsidies	10,000,000	4,732,000
Cacadu Development Agency (CDA)	4,500,000	1,000,000
Environmental health subsidies	10,000,000	9,500,000
Total other grants and subsidies paid	24,593,148	15,308,799

SARAH BAARTMAN DISTRICT MUNICIPALITY

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24. Employee costs

Remuneration of employees	34,593,112	38,544,872
Remuneration of Councillors (Refer Note 25)	6,558,569	6,635,500
Total Employee Costs	41,151,681	45,180,372

The remuneration of employees are determined in accordance with the task grade and the applicable notch allocated to the employees in their positions. The municipality is graded as a Category 5 municipality which effects the remuneration ranges of positions of employees. The municipality operates in accordance with the Collective Agreements entered into between the municipality and Bargaining Council.

Set out below are the details for remuneration paid to Directorate Heads (included in remuneration of employees):

Remuneration of Municipal Manager

Annual remuneration	918,777	1,115,276
Car allowance	130,000	156,000
Performance bonuses	-	83,051
Travel and Subsistence claims	21,762	17,576
Leave sold	136,885	-
	1,207,424	1,371,903

Mr DM Pillay was the Municipal Manager for a period of 5 years ended 31 December 2016. The post was vacant for a period of 2 months. Mr DM Pillay was reappointed on the 1 March 2017 as the Municipal Manager for a period of 5 years. The current year remuneration therefore reflects a period of 10 months only.

Remuneration of the Director Finance and Corporate Services

Annual remuneration	665,891	607,388
Car allowance	100,000	84,000
Performance bonuses	-	52,862
Travel and Subsistence claims	34,796	-
	800,687	744,250

Mr RN Lorgat was appointed on 1 September 2016 as Director: Finance and Corporate Services for a period of 7 years. The current year remuneration therefore reflects a period of 10 months only.

Mr D De Lange resigned from the position with an effective date of 31 January 2016. The prior year remuneration therefore reflects a period of 7 months only.

Remuneration of the Director Economic Development

Annual Remuneration	257,187	911,274
Car Allowance	30,000	120,000
Performance Bonuses	50,814	67,113
Travel and Subsistence claims	55,000	-
Leave sold	81,907	-
	474,908	1,098,387

Mr P Kate was the Director : Economic Development and was appointed on 1 October 2011 for a period of 5 years ended 30 September 2016. The post is still vacant. The current year remuneration therefore reflects a period of 3 months only.

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24. Employee costs (continued)

Remuneration of the Director Infrastructure Services and Planning

Annual remuneration	350,587	985,238
Car allowance	48,000	144,000
Travel and subsistence claims	25,926	29,300
Leave sold	77,061	-
	501,574	1,158,538

Mr B Makedama was the Director : Infrastructure Services and Planning and was appointed on 1 November 2011 for a period of 5 years ended 31 October 2016. The post is still vacant. The current year remuneration therefore reflects a period of 4 months only.

25. Remuneration of councillors

Executive Mayor	823,873	823,076
Speaker	656,843	659,864
Portfolio Councillor: Special Programmes	613,331	620,852
Portfolio Councillor: Economic Development	649,972	620,852
Portfolio Councillor: Finance and Corporate Services	624,163	628,260
Portfolio Councillor: Infrastructure Services and Planning	618,331	620,852
Portfolio Councillor: Tourism	628,618	622,689
Councillors	1,943,438	2,039,055
	6,558,569	6,635,500

In-kind benefits

The Executive Mayor and the Mayoral committee members are full time Councillors and are provided with offices and secretarial support at the cost of the Council.

The Executive Mayor and Speaker has the use of a council owned vehicle for official duties.

During the financial year, the local elections resulted in a change in Councillors allocated to the Mayoral Committee and the respective Portfolios included above. The disclosed amounts relates directly to the amount paid to the Councillors allocated to the specific Portfolios

SARAH BAARTMAN DISTRICT MUNICIPALITY

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26. Financial instruments - financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Financial assets at amortised cost	Total
Receivables from exchange transactions	1,717,727	1,717,727
Receivables from non-exchange transactions	2,447,817	2,447,817
Deposits	15,410	15,410
Short-term investments	117,000,000	117,000,000
Cash and cash equivalents	104,943,853	104,943,853
	226,124,807	226,124,807

2016

	Financial assets at amortised cost	Total
Receivables from exchange transactions	1,717,517	1,717,517
Receivables from non-exchange transactions	3,354,486	3,354,486
Deposits	852,563	852,563
Short-term investments	135,000,000	135,000,000
Cash and cash equivalents	98,204,591	98,204,591
	239,129,157	239,129,157

27. Financial instruments: financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Financial liabilities at amortised cost	Non financial liabilities	Total
Post employment medical benefit	-	55,691,774	55,691,774
Long-term portion of infrastructure levies	1,122,570	-	1,122,570
Provisions	-	1,068,324	1,068,324
Payables from exchange transactions	33,966,181	1,305,656	35,271,837
Short-term portion of the post employment medical benefit	-	4,172,583	4,172,583
	35,088,751	62,238,337	97,327,088

2016

	Financial liabilities at amortised cost	Non financial liabilities	Total
Post employment medical benefit	-	59,093,676	59,093,676
Long-term portion of infrastructure levies	1,022,570	-	1,022,570
Provisions	-	719,459	719,459
Payables from exchange transactions	23,827,280	1,728,527	25,555,807
Short-term portion of unspent conditional grants	-	-	-
Short-term portion of post employment medical benefit	-	3,848,652	3,848,652
	24,849,850	65,390,314	90,240,164

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Figures in Rand	2017	2016
28. <u>Restatement of prior year figures</u>		
<u>Summary of changes to the surplus opening balance</u>		
Depreciation	218,891	
Fines and penalties	(3,567)	
General expenses - other	(37,570)	
Other income	965	
	<u>178,719</u>	
<u>Summary of changes to the financial position</u>		
Heritage assets	(18,815,500)	
Investment Property	(13,319,500)	
Payables from exchange transactions	(37,576)	
Property plant and equipment	(8,009,535)	
Revaluation Reserve	76,957,915	
Trade and other receivables from non-exchange transactions	965	
VAT receivable	(16,757)	
	<u>36,760,012</u>	
<u>Summary of changes to the surplus opening balance 2015</u>		
General expenses - other	(13,190)	
Land and buildings acquired at no consideration	36,594,489	
	<u>36,581,299</u>	
<u>Details of changes to the surplus opening balance</u>		
Reversal of depreciation on the retrospective adoption of the cost model on land and buildings in accordance with Directive 11	218,891	
Raise penalties and interest incurred on the SARS audit of Value Added Taxation (VAT) where certain input VAT claimed was not allowed	(3,567)	
Raise expenditure incurred in the prior year but only raised and paid in the current year	(37,570)	
Raise revenue not accounted for	965	
	<u>178,719</u>	
<u>Details of changes to the surplus opening balance 2015:</u>		
Raise expenditure previously claimed as input VAT but not allowed by SARS	(13,190)	
Recognition of land and buildings acquired at no consideration and accounted for at their deemed cost (Fair value at their date of acquisition)	36,594,489	
	<u>36,581,299</u>	

SARAH BAARTMAN DISTRICT MUNICIPALITY

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Figures in Rand	2017	2016
28. Restatement of prior year figures (continued)		
<u>Details of changes to the financial position</u>		
Reversal of Heritage assets accounted for at fair value due to the retrospective adoption of the cost model of accounting for land and buildings in accordance with Directive 11. Land and buildings were either raised at their actual cost or deemed cost (fair value at their acquisition date)		(18,815,500)
Reversal of Investment Property accounted for at fair value due to the retrospective adoption of the cost model of accounting for land and buildings in accordance with Directive 11. Land and buildings were either raised at their actual cost or deemed cost (fair value at their acquisition date)		(13,319,500)
Raise accruals for expenditure not accounted for		(37,576)
Reversal of Property, Plant and Equipment accounted for at fair value due to the retrospective adoption of the cost model of accounting for land and buildings in accordance with Directive 11. Land and buildings were either raised at their actual cost or deemed cost (fair value at their acquisition date)		(8,009,535)
Reversal of Revaluation Reserve (which was raised when accounting for land and buildings at fair value) due to the retrospective adoption of the cost model of accounting for land and buildings in accordance with Directive 11. Land and buildings were either raised at their actual cost or deemed cost (fair value at their acquisition date) through profit and loss.		76,957,915
Raise revenue not accounted for in receivables		965
Reversal of input VAT claimed and not considered claimable by SARS during the VAT audit		(16,757)
		<u>36,760,012</u>
	Restated	As previously stated
<u>Revenue</u>	2016	2016
Rental	1,394,663	1,394,663
Investment interest	18,054,689	18,054,689
Income from agency services	45,797	45,797
Other income	647,003	646,038
Government grants and subsidies	95,432,020	95,432,020
Reduction in provision for debt impairment	8,154,268	8,154,268
Actuarial gain on valuation of post employment medical benefits	4,084,028	4,084,028
	<u>127,812,468</u>	<u>127,811,503</u>
<u>Expenses</u>		
Bad debts written off	124,199	124,199
Conditional grant expenditure	12,497,854	12,497,854
Contracted services	2,863,326	2,863,326
Depreciation	1,512,240	1,731,131
Discounting of post retirement benefit obligation	5,317,885	5,317,885
Employee related costs	45,180,372	45,180,372
Fines and penalties	4,000	433
General expenses - other	48,037,612	48,000,042
Impairment loss	34,614	34,614
Loss on disposal of property, plant and equipment	230,428	230,428
Other grants and subsidies paid	15,308,799	15,308,799
Repairs and maintenance	627,129	627,129
	<u>131,738,458</u>	<u>131,916,212</u>
<u>Deficit for the year</u>	<u>(3,925,990)</u>	<u>(4,104,709)</u>

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Figures in Rand	2017	2016
28. Restatement of prior year figures (continued)		
	Restated	As previously stated
	2016	2016
Assets		
Current Assets		
Short term portions of long-term receivables		
Receivables from exchange transactions	1,717,517	1,717,517
Receivables from non exchange transactions	3,354,486	3,353,521
VAT receivable	1,779,647	1,796,404
Deposits paid	852,563	852,563
Cash and cash equivalents and short-term investments	233,204,591	233,204,591
	<u>240,908,804</u>	<u>240,924,596</u>
Non-current assets		
Property plant and equipment	16,172,985	24,182,520
Long term receivables	187,582	187,582
Investment property	12,643,000	25,962,500
Heritage assets	16,212,500	35,028,000
Intangible assets	86,885	86,885
	<u>45,302,952</u>	<u>85,447,487</u>
Total Assets	<u>286,211,756</u>	<u>326,372,083</u>
Liabilities		
Short-term portion of post employment medical benefit	3,848,652	3,848,652
Payables from exchange transactions	25,555,807	25,518,231
Unspent conditional grants and receipts		
Provisions	719,459	719,459
	<u>30,123,918</u>	<u>30,086,342</u>
Non-current liabilities		
Long-term portion of post employment medical benefit	59,093,676	59,093,676
Long-term portion of infrastructure levies	1,022,570	1,022,570
	<u>60,116,246</u>	<u>60,116,246</u>
Total Liabilities	<u>90,240,164</u>	<u>90,202,588</u>
Total assets less liabilities	<u>195,971,592</u>	<u>236,169,495</u>
Reserves	-	76,957,915
Accumulated surplus	195,971,592	159,211,580
Total Net Assets	<u>195,971,592</u>	<u>236,169,495</u>

SARAH BAARTMAN DISTRICT MUNICIPALITY

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Figures in Rand	2017	2016
29. Cash used in operations		
Deficit	(13,959,360)	(3,925,990)
<u>Adjustments for:</u>		
Depreciation	1,556,279	1,512,240
Loss on disposal of property, plant and equipment	1,251,008	230,428
Discounting of post employment medical benefit obligation	5,429,480	5,317,885
Impairment	25,811	34,614
Contributions to provisions	348,865	305,211
Service costs	412,374	314,896
Prior year corrections	100,002	-
Gain on actuarial valuation for post employment medical benefits	(4,847,635)	(4,084,028)
<u>Changes in working capital:</u>		
Receivables from exchange transactions	(210)	163,348
Receivables from non-exchange transactions	906,669	(2,560,278)
Payables from exchange transactions	9,716,030	(3,351,750)
VAT receivable	(2,962,923)	(688,780)
Unspent conditional grants and receipts	-	(9,013,499)
	(2,023,610)	(15,745,703)
30. Finance Leases Reconciliation		
The municipality had no external loans in the form of finance leases during the current year.		
31. Contingent liabilities		
A possible liability exists in respect of a claim from a property owner in St Francis Bay resulting from a fire that broke out during 2013. A summons has been issued for damages to the owner's property, which the municipality is currently defending. The trial has commenced and will reconvene in November 2017.	6,900,000	6,900,000
A further legal matter arose as a result of the fire that broke out in St Francis Bay during 2013. A summons was received by the municipality whereby the plaintiffs are claiming R6 110 200 for damages against the owners' property. The matter will however proceed based on the outcome of the above matter.		
A possible liability existed in respect of a claim from Koukamma Municipality on fire expenditure incurred in the performance of the district municipality's fire services in accordance with a service level agreement entered into with the local municipality. A summons was received by the municipality, which the municipality was defending. The matter has subsequently been withdrawn as the municipalities reached consensus on the matter.	-	9,476,125
A possible liability exists in respect of a claim made against the municipality by the Sunday's River Valley Contractors Association for retention monies on a housing project that was completed. The matter is being defended.	522,725	-
A possible liability exists whereby an ex fire reservist is claiming the full benefits of an employee for a period of 8 years. The matter is being defended by the municipality. No amount has been attached to the claim. The likelihood of this event resulting in a liability was considered low and with no amount being claimed, a provision is not raised.	-	-
	7,422,725	16,376,125

SARAH BAARTMAN DISTRICT MUNICIPALITY

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32. Contingent assets

Defective workmanship

Current year

A report on the prior year contingent asset tabled and resolved by Council on 11 July 2017 and the matter has been abandoned.

The municipality therefore has no contingent assets.

Prior year

A possible contingent asset existed in respect of a claim against a contractor in terms of defective workmanship and overpayment for work done in 2003/04 financial year.

Upon the assessment of the case, the attorneys has advised the municipality that the likelihood of success in the case is diminishing as either the key witnesses appears to be reluctant to testify or the witnesses has deceased.

The contingent asset thus remains until resolved by Council, but with the likelihood of success diminishing, no amount was disclosed due to the uncertainty thereof and the amount not being probable.

33. Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised expenditure

No unauthorised expenditure was incurred in the current and previous financial years.

Irregular expenditure

Refer to Note 42

Fruitless and wasteful expenditure

Refer to Note 48

SARAH BAARTMAN DISTRICT MUNICIPALITY

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34. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(500,000)	(559,800)
Council subscription	500,000	559,800
Amount paid in advance for the following year	(511,010)	(500,000)
Amount paid in advance (included in receivables)	(511,010)	(500,000)

External Audit fees

Current year audit fee	3,038,316	3,760,581
Audit Planning fees for the following year	995,812	874,167
Amount paid - current year	(4,034,128)	(4,634,748)
	-	-

PAYE, UIF and SDL

Opening balance	240,843	288,429
Current year payroll deductions	7,772,434	8,878,766
Amount paid - current year	(7,837,886)	(8,926,352)
	175,391	240,843

Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	5,838,738	4,645,868
Amount paid - current year	(5,838,738)	(4,645,868)
	-	-

VAT

VAT receivable	4,742,570	1,779,647
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All VAT returns have been submitted by the due date throughout the year. All returns submitted for the year were VAT input claims and therefore no VAT output payments were made during the year.

35. In-kind donations and assistance

No donations have occurred during the current year.

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36. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Stringent cash management procedures are in place. These include cash flow forecasting.

A sensitivity analysis has not been performed and included, as the municipality is not exposed to foreign exchange risk. The municipality does not enter into any foreign exchange transactions and since the municipality effects payments on presentation of invoices, no interest rate charges are applicable. It would thus be misleading to provide a sensitivity analysis.

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	33,966,181	-	-	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	23,827,280	-	-	-

Interest rate risk

The current account and the call account expose the municipality to an interest rate risk on cash flows. Deposits attract interest at a rate that varies according to the prime banking rate.

The municipality manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.

The interest rates on the fixed deposits are fixed, but varies from investment to investment.

Should the prime rate vary by 1% in either direction, the effect on the cash balance would be R2 million in either direction.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and debtors. The municipality only deposits cash with banks which have an equity above R10 billion with a good credit rating.

The most significant concentration of credit risk is the outstanding receivables. Management believes that the allowance for impairment adequately addresses the credit risk involved.

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37. Events after the reporting date

With reference to Note 31 on Contingent Liabilities -

The claim from the property owner in St Francis Bay no longer exists as the matter was withdrawn in October 2017 and the amount of R6 900 000 will therefore no longer be a contingent liability.

A second claim of R6 110 200 received was subject to the outcome of the above matter. Based on the withdrawal of the above matter, it is assumed that the second claim will also be withdrawn.

Management is not aware of any other events after the reporting date.

38. Compliance with the Municipal Finance Management Act

The municipality has implemented additional controls to ensure compliance with the MFMA. The area of concentration during the current and previous year was the revised Supply Chain Management Regulations which became effective during the year. The municipality has improved the controls during the current and prior year to ensure compliance with the policy and regulations. The controls have been implemented and are being implemented and monitored.

The municipality was also required to effectively implement the new Municipal Standard Chart of Accounts (mSCOA) from 1 July 2017. The implication of complying with mSCOA is that the municipality was required to procure a new Enterprise Resource Planning (ERP) system to ensure that all transactions meet the requirements of the new Chart of Accounts.

Management is not aware of any other non-compliance by the municipality that would require disclosure in the financial statements.

39. Related parties

Cacadu Development Agency

The wholly-owned municipal entity, Cacadu Development Agency (CDA) continued its operations in the current year.

The municipality has provided the CDA with an unconditional grant of R4 500 000 to fund the operations of the Agency for the 2016/17 financial year and R1 000 000 in the prior year (the budget was reduced by R3 000 000 in the previous year due to the CDA utilising their surplus to fund their budget).

There were no other transactions between the municipality and CDA.

Post retirement medical aid benefit plan

The municipality, as part of the conditions of service of employees, keeps on contributing its portion of the contributing members to medical aid funds at the retirement of these employees for as long as this member is alive and contributing his or her portion.

The medical aid schemes involved are as follows:

- Bonitas
- Hosmed/ Key Health
- LA Health
- Samwumed

Transactions with these schemes amounted to R2 453 935 (2016: R2 362 205)

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39. Related parties (continued)

Councillors and employees

Councillors and employees have declared no interest or gain in or from any transaction entered into with the municipality by any organisation or business.

The following interests in institutions have been declared, but no transactions have been entered into:

<u>Employee</u>	<u>Entity Name</u>	<u>Transactions</u>
Mr B Makedama	Makedama & Associates	None
Mrs M Nohashe	Asesima (Pty) Ltd	None
Mr K Majokweni	Gem Development & Trading Services (Pty) Ltd	None
Mrs T Mafongosi	Endleleni Liquor Stores	None
Mr R Lorgat	RNL Business & Property Consultants RNL Investments (Pty) Ltd	None None
Mr T Mgudlwa	On-board Invest (Pty) Ltd	None
Mr D Mbolekwa	Bravorox	None
Mr L Madlakane	Gxothindlala Construction	None
Mrs N Mlenzana	Pantium Trading	None
Ms X Ben	Sherpa Trade Invest 89 (Pty) Ltd Ezikainsta CHD Freight Trucking & Plant Hire AB 350 (Pty) Ltd AX Dynamic Enterprise	None None None None
Ms Z Sibeko	Kuzi Fishing EL Olom Trading Isifingo	None None None
Mrs G David	Jumpstart CC	None
Mr E Goliath	CHED Holdings	None

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39. Related parties (continued)

<u>Councillor</u>	<u>Entity Name</u>	<u>Transactions</u>
Mr H M Hendricks	Didi's Transport CC	None
Mr V S Stuurman	Manufacturing Processing	None
Mr R M J Gailey	CRH Holdings & Ranger Drops	None
	Melro Farming & Trading	None
	Fair Game Safaris	None
	HPFT Rory Gailey Family Trust	None
	Partnership CRH Holdings	None
	Partnership Game Breeders	None
Mr S Lucas	Dixy Management Services	None
Ms N Pieters	Liqhayiya Trading	None
	Atmoline (Pty) Ltd	None
Mr P Faxi	NFT t/a Sibanye	None
	NFT & Rubicon Vision	None
Mrs C Reeders	Reeders Family Trust	None
Mr D J Bezuidenout	Sakkies Housing Development CC	None
	Longfield Trust	None
Mrs J C Wells	Wolery CC	None
Mr T Grootboom	Iqhawe Development Enterprise	None
Mr A Mboneni	CBG Co-operative	None
Mr S Sodladla	Uthuthu (Pty) Ltd	None
	Makana-Mobi Jym	None
Mr F Yake	Trustee of Drie Krone Farm	None
Mr J Britz	50% Shareholding in Kiepersol 17 Eiendoms	None
	Ontwikkeling CC	
	Britz Attorneys	None
Mr L Nase	Nase Trading Enterprise	None
Ms K Smith	Partnership in AVCTION Room	None

Awards to close family members of persons in the service of the state

The municipality is not aware of any incidents where awards were made to close family members in the service of the state during both the current year and the previous year.

Key management personnel

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipality, directly or indirectly, including any director of the municipality: Executive Mayor, Speaker, Mayoral Committee members, Councillors, Municipal Manager and Directors

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40. Significant estimates and judgements

The preparation of SBDM's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

Judgements

In the process of applying the municipality's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Receivables from exchange and non exchange transactions

Management has assessed the recoverability of the receivables and has raised a provision for doubtful debts to ensure that the amounts disclosed as receivables are recoverable.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Post employment medical benefit

The cost of post employment medical benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, medical aid inflation rate, future salary increases, mortality rates and future medical aid premiums, future subsidies payable to dependants, working life time of employees, gender and spouse assumptions and child dependence and withdrawals. Such estimates are subject to significant uncertainty relating actuarial assumptions. The net employee liability at 30 June 2017 is R59 864 357 (2016: R62 942 328). Further details are provided in Note 16.

Property, plant and equipment

The estimates and associated assumptions are based on the historical experience and management's estimation of conditions. Limited changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated useful lives in the prior years, are still appropriate.

Residual values of property, plant and equipment are based on the nature of the assets, quotes obtained from suppliers and management's estimation of the condition of the assets. Limited changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated residual values determined in the prior year, remained appropriate.

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41. Standards of GRAP issued but not yet effective

The following standards have been issued but are not yet effective:

GRAP 20:	Related Party Disclosures
GRAP 32:	Service Concession Arrangements - Grantor
GRAP 34:	Seperate Financial Statements
GRAP 35:	Consolidated Financial Statements
GRAP 36:	Investments in Associates and Joint Ventures
GRAP 37:	Joint Arrangements
GRAP 38:	Disclosure of interest in other entities
GRAP 108:	Statutory Receivables
GRAP 109:	Accounting by Principals and Agents
GRAP 110:	Living and Non-Living Resources

GRAP 20: Related Party Disclosures

The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The effect on the financial statements of introducing this standard will require the municipality to implement additional procedures to ensure that all the required information is collected in a controlled manner to ensure the completeness of the disclosures required.

GRAP 32: Service Concession Arrangements - Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

The financial statements of the municipality will not be effected by this standard unless the municipality enters into any Service Concession Arrangements, whereby assets of the municipality are used to generate revenue by a 3rd party.

GRAP 34: Seperate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

The effect on the financial statement s would be minimal as the prescribe accounting and disclosure requirements have already been applied for the Cacadu District Development Agency.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The effect on the financial statements would be minimal as the principles for presentation and preparation of consolidated financial statements have been applied for the Cacadu District Development Agency.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

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41. Standards of GRAP issued but not yet effective (continued)

The financial statements of the municipality will not be effected unless the municipality enters into an agreement which will result in either a Joint venture or an Associate.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

The financial statements of the municipality will not be effected unless the municipality enters into an agreement of a Joint arrangement.

GRAP 38: Disclosure of interest in other entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.

The effect on the financial statements would be minimal as the Disclosure of interest in other entities have been applied for the Cacadu District Development Agency.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The effect on the financial statements of introducing this standard is not material as most of the principles in the standard is already applied or the information readily available.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

This Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

The effect on the financial statements of introducing this standard is not material as most of the principles in the standard would not be applicable to the municipality unless the municipality enters into a principal-agent agreement.

GRAP 110: Living and Non-Living Resources

The objective of this Standard is to prescribe recognition, measurement, presentation and disclosure requirements for living resources and non-living resources.

The effect on the financial statements of introducing this standard is not applicable to the municipality unless the municipality acquires living and non-living resources.

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42. Irregular expenditure		
Opening balance	1,970,154	1,469,287
Add: Irregular Expenditure - current year	1,251,427	1,305,885
Add: Irregular Expenditure - prior year	-	218,464
Less: Expenditure certified as irrecoverable / written off by Council	(247,355)	(1,023,482)
	2,974,226	1,970,154

Details of irregular expenditure

Traded with suppliers who are in the service of the state	12,000	18,656
Deviations not considered valid	1,115,535	1,263,055
Bids awarded in prior years did not comply with the supply chain management regulations as follows:	55,444	242,638
- Bids not advertised for at least 14 days		
- Bids were not evaluated in accordance with the preferential procurement points system		
- The evidence of specification committees were not available		
- No evidence of required website publication		
No formal quotation process followed	57,948	-
3 quotes not obtained	10,500	-
	1,251,427	1,524,349

On 23 August 2017, the Council condoned / wrote off an amount of R2 929 494 relating to incidents of irregular expenditure raised in the prior year and current year. The Council also resolved that disciplinary processes must be followed for 1 incident, amounting to R10 500. No criminal processes were required on any of the incidents of irregular expenditure.

Although there has been contravention of the procurement processes and procedures, goods and services have been received.

43. Deviations

The following deviations from the supply chain management policy were approved by the municipal manager during the financial year:

<u>Reasons</u>	<u>No. of incidents</u>		
Emergency	7	287,860	1,086,572
Goods or services are produced or available from a single provider	10	1,333,506	720,903
In any other exceptional case where it is impractical	35	3,882,137	9,083,218
		5,503,503	10,890,693

44. Change in estimate

Property, plant and equipment

The municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in certain computer equipment, office equipment and furniture and fittings' remaining useful lives being adjusted based on the condition of the assets. The residual values of the assets have also been reassessed and adjusted where necessary. The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 2,990 for the current period (2016: R -). The effect on future periods could not reasonably be determined.

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45. Commitments

Capital expenditure

Approved and contracted for	2,386,957	2,465,314
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This committed expenditure relates to capital assets and will be financed by retained surpluses

Non-capital expenditure

Approved and contracted for	13,606,716	12,062,479
-----------------------------	------------	------------

This non-capital expenditure relates to other commitments and will be financed by conditional grants and retained surpluses.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	1,594,206	1,494,572
- from second to fifth year inclusive	2,480,609	4,010,764
- later than five years	204	325
	4,075,019	5,505,661

Certain of the municipality's land and buildings is held to generate rental income. Lease agreements have terms ranging from 6 months and not exceeding 10 years. There are no contingent rents receivable.

Most of the land and buildings are leased to organs of state and are leased at below market-related rental values. These leases are entered into either to assist the organs of state in their operations or to promote and stimulate economic activity within the Sarah Baartman District area. These rental revenues therefore translates to approximately only 3% of the total rental revenue of the municipality.

The ground floor of the municipal office building is leased to Standard Bank for a period of 5 years. The rental revenue received from this arrangement approximates 96% of the total rental revenue of the municipality.

The following leases were entered into with individuals and entities that are not organs of state and were charged below market-related rentals:

D Cannon - The Council resolved to lease the private dwelling in Alexandria on a temporary basis. The intention of Council was that the occupation of the dwelling would prevent vandalism whilst the Council is assessing the future use of the property.

P Tieman - The Council resolved to lease the depot in Jansenville for the premises to be utilised as a bodyshop. This decision was taken to assist the individual in establishing a business which is intended to promote economic development in the area.

Siyahluma Gardening Project Primary Co-operative Ltd - The Council resolved to lease a 10ha portion of land in Addo to the Co-operative. This decision was taken to assist the Co-operative in establishing a business which is intended to promote economic development in the area.

ANC Parliamentary Constituency Fund - The Council resolved to lease a building in Hankey (previously used as a clinic) to be utilised as office premises. The intention of Council was that the occupation of the building would prevent vandalism and ensure that the building is maintained by the lessee.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
46. General expenses		
Advertising and promotions	758,481	754,206
Auditors fees	3,635,540	4,213,555
Catering	532,318	717,019
Congress and visits	1,941,817	1,827,514
General - other	1,234,078	1,194,387
Insurance	297,514	346,002
Legal expenses	3,054,243	646,221
Licences	525,750	200,444
Fuel and oil	1,295,833	981,742
Printing and stationery	1,149,889	1,295,034
Publications	995,877	1,268,367
Project costs	25,818,702	31,175,669
Subscriptions	567,289	638,841
Telephone and fax	830,059	911,287
Training and development	556,367	790,281
Utilities	1,020,381	1,077,043
	44,214,138	48,037,612

47. Budget differences

Material differences between budget and actual amounts

Variances in the budgeted amounts and the actual amounts are considered material when the actual amount is more than 10% lower than the budgeted amount for both revenue and expenditure as well as where revenue exceeds 5% of the budgeted amount.

The material variances are as follows:

Other own revenue

Based on the principles of budgeting, this area is utilised to fund the budget of the municipality and therefore the budgeted amount is high. The amount reflected in the financial statements is however only the actual other revenue received during the year. The variance therefore relates to the portion utilised to balance the revenue budget from accumulated surplus.

Employee costs

The variance of 26% was attributable to vacancies that could not be filled due to the Council placing a Moratorium on the filling of vacancies in October 2016. This has resulted in savings in employee related costs that was budgeted for all vacancies for a period of 8 months of the financial year.

Other expenditure

The variance of 27% is mainly due to under-expenditure on own-funded projects. Other factors that contributed to the variance are cost-savings on operational activities, as well as instances of over-estimation of budgets on projects.

Capital expenditure

The variance of 22% is mainly due to an amount the budget allocation for the procurement of a mSCOA compliant system as well as the completion of the installation of the lifts in the municipal office building. The planned activities were awarded and the implementation is in progress and was not finalised as at 30 June 2017.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
48. <u>Fruitless and wasteful expenditure</u>		
Opening balance	296,812	782,128
Current year	23,575	300,812
Less: Expenditure certified as irrecoverable / written off by Council	-	(782,128)
	320,387	300,812

Details of fruitless and wasteful expenditure:

Current year

Catering for 2 events was arranged in accordance with supply chain management processes. The events were postponed and the caterers were not informed timeously. The catering was provided in vain and the municipality was required to make the necessary payments.

Penalties were raised by SARS on VAT Input claims that were disallowed in both the current (R2 375) and prior year (R4 000).

Prior year

An amount of R433 of interest was incurred on late payment of tuition fees to Nelson Mandela Metropolitan University. This amount is reflected under fines and penalties.

An amount of R296 379 was paid as project expenditure during the year. An internal investigation revealed that the internal controls were adequate. However, the documentation provided to change the bank details of the company were fraudulent which resulted in the amount being paid into an incorrect bank account. The fraud matter was reported to the Commercial Crimes Unit and is currently under investigation. This amount is included under project costs.

On 23 August 2017, the Council condoned / wrote off an amount of R296 812 relating to incidents of fruitless and wasteful expenditure raised in the prior year. The Council also resolved that disciplinary processes must be followed for 2 incidents, amounting to R21 200.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

49. Conditional grants and receipts

	UNSPENT BALANCE 30 JUNE 2016 RAND	CONTRIBUTIONS/ ADJUSTMENTS RAND	CURRENT YEAR RECEIPTS RAND	INTEREST ALLOCATED RAND	TRANSFER TO REVENUE RAND	VALUE ADDED TAXATION RAND	CAPITAL EXPENDITURE RAND	TRANSFER S RAND	UNSPENT BALANCE 30 JUNE 2017 RAND
FINANCE MANAGEMENT GRANT	-	-	1,250,000	-	(1,109,741)	(140,259)	-	-	-
RURAL ROADS ASSET MANAGEMENT GRANT	-	-	2,261,000	-	(1,983,334)	(277,666)	-	-	-
EXPANDED PUBLIC WORKS PROGRAMME	-	-	1,000,000	-	(877,193)	(122,807)	-	-	-
	-	-	4,511,000	-	(3,970,268)	(540,732)	-	-	-

SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

50. DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grant	Name of Organ of state	2016/2017 Quarterly Receipts			2016/2017 Quarterly Expenditure			June Rand	2016/2017 Grants and Subsidies Delayed/with the Rand	Reason for delay/ withholding funds	Reason for Comply to non Compliance Y/N
		Sept	Dec	Mar	Sept	Dec	Mar				
		Rand	Rand	Rand	Rand	Rand	Rand	Rand			
FINANCE MANAGEMENT GRANT	National Government	1,250,000	-	-	-	82,938	717,134	-	449,928	-	N/A
RURAL ROADS ASSET MANAGEMENT GRANT	National Government	1,261,000	-	1,000,000	-	-	-	-	2,261,000	-	N/A
EXPANDED PUBLIC WORKS PROGRAMME	National Government	250,000	-	750,000	-	-	-	1,000,000	-	-	N/A
		2,761,000	-	1,750,000	-	82,938	717,134	1,000,000	2,710,928	-	

SARAH BAARTMAN DISTRICT MUNICIPALITY
UNAUDITED APPENDIX A

June 2017

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2017
Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Revaluations Rand	Additions Rand	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Depr on Dispal Rand	Impairment Rand	Closing Balance Rand	Carrying Value Rand
Land											
Investment Property	6,082,500		0	0	6,082,500		0	0	0	0	6,082,500
PPE	1,754,636		0	0	1,754,636		0	0	0	0	1,754,636
Heritage	13,765,000		0	0	13,765,000		0	0	0	0	13,765,000
Buildings											
Investment Property	6,560,500		0	0	6,560,500		0	0	0	0	6,560,500
PPE	3,957,567		2,783,954	0	6,741,521		0	0	0	0	6,741,521
Heritage	2,447,500		0	0	2,447,500		0	0	0	0	2,447,500
Furniture and Fixtures											
PPE	2,417,658		1,268	49,866	2,369,059	1,120,541	135,042	36,227	-1,858	1,221,214	1,147,845
Specialised Vehicles											
PPE	275,159		0	0	275,159	192,781	4,897	0	0	197,677	77,481
Office Equipment											
PPE	2,501,706		166,285	176,481	2,491,511	853,339	195,572	116,353	-2,533	935,091	1,556,420
Computer Equipment											
Intangible Asset	86,885		1,430,194	0	1,517,079		0	0	0	0	1,517,079
PPE	3,917,093		464,963	117,484	4,264,572	2,401,570	483,055	87,833	-14,683	2,811,475	1,453,097
Bins and Containers											
PPE	98,988		0	0	98,988	48,262	7,935	0	0	56,197	42,792
Motor Vehicles											
PPE	8,915,219		1,266,462	1,716,112	8,465,568	3,893,877	652,946	408,112	0	4,138,710	4,326,858
Specialised Plant and Machinery											
PPE	2,056,774		0	3,042	2,053,732	1,211,446	76,832	2,054	-6,737	1,292,960	760,772
	54,837,185	0	6,113,125	2,062,984	58,887,326	9,721,813	1,556,279	650,580	-25,811	10,653,324	48,234,002

SARAH BAARTMAN DISTRICT MUNICIPALITY
UNAUDITED APPENDIX A

June 2017

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2017
Cost/Revaluation **Accumulated Depreciation**

	Opening Balance Rand	Revaluations Rand	Additions	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Depr on Disposal Rand	Impairment Rand	Closing Balance Rand	Carrying Value Rand
Land	21,602,136	-	-	-	21,602,136	0	-	-	-	0	21,602,136
Buildings	12,965,567	-	2,783,954	-	15,749,521	0	0	-	-	0	15,749,521
Furniture and fittings	2,417,658	-	1,268	49,866	2,369,059	1,120,541	135,042	36,227	-1,858	1,221,214	1,147,845
Specialised vehicles	275,159	-	-	-	275,159	192,781	4,897	-	-	197,677	77,481
Office equipment	2,501,706	-	166,285	176,481	2,491,511	853,339	195,572	116,353	-2,533	935,091	1,556,420
Computer equipment	4,003,978	-	1,895,157	117,484	5,781,651	2,401,570	483,055	87,833	-14,683	2,811,475	2,970,176
Bins and containers	98,988	-	-	-	98,988	48,262	7,935	-	-	56,197	42,792
Motor vehicles	8,915,219	-	1,266,462	1,716,112	8,465,568	3,893,877	652,946	408,112	0	4,138,710	4,326,858
Specialised Plant and machinery	2,056,774	-	-	3,042	2,053,732	1,211,446	76,832	2,054	-6,737	1,292,960	760,772
Total	54,837,185	-	6,113,125	2,062,984	58,887,326	9,721,813	1,556,279	650,580	-25,811	10,653,324	48,234,002

SARAH BAARTMAN DISTRICT MUNICIPALITY
UNAUDITED APPENDIX B

June 2017

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2017
Cost / Revaluations

	Cost / Revaluations				Accumulated Depreciation							
	Opening Balance	Revaluation	Additions	Impairment	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment	Closing Balance	Carrying Value
	01 July 2015					30 June 2016	01 July 2015					30 June 2016
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Executive and Council	3,610,043	-	1,538,520	-	910,099	4,238,464	1,717,650	322,874	425,687	-442	1,615,279	2,623,185
Finance and Admin	41,840,373	-	4,549,478	-	169,218	46,220,633	3,384,104	621,931	147,812	-21,063	3,879,286	42,341,348
Housing	7,791	-	-	-	-	7,791	6,396	293	-	-	6,689	1,102
Planning and Development	4,545,170	-	25,126	-	970,145	3,600,151	1,607,581	304,654	63,562	-2,820	1,851,492	1,748,659
Public Safety	4,830,271	-	-	-	13,522	4,816,749	3,003,238	306,381	13,519	-1,486	3,297,587	1,519,162
Water	3,537	-	-	-	-	3,537	2,845	147	-	-	2,992	546
Total	54,837,185	-	6,113,125	-	2,062,984	58,887,326	9,721,814	1,556,279	650,580	-25,811	10,653,324	48,234,002

SARAH BAARTMAN DISTRICT MUNICIPALITY
UNAUDITED APPENDIX C

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	2016		2016		2017		2017	
	Actual Income Rand	Actual Expenditure Rand	Surplus/ (Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus/ (Deficit) Rand	
Executive and Council	8,765,055	29,350,704	(20,585,649)		1,068,583	24,000,059	(22,931,475)	
Finance and Administration	104,529,825	32,797,620	71,732,205		104,439,639	31,825,167	72,614,472	
Planning and Development	4,993,860	15,649,579	(10,655,719)		1,000,000	23,235,689	(22,235,689)	
Health	-	12,019,560	(12,019,560)		4,847,635	17,446,378	(12,598,743)	
Community and Social services	-	2,115,609	(2,115,609)		-	1,128,449	(1,128,449)	
Housing	-	433,226	(433,226)		-	439,302	(439,302)	
Public safety	-	26,236,504	(26,236,504)		-	26,761,783	(26,761,783)	
Sport and Recreation	-	59,252	(59,252)		-	147,917	(147,917)	
Waste Management	-	-	-		-	-	-	
Road Transport	9,473,516	11,910,717	(2,437,202)		2,261,000	2,131,874	129,126	
Water	50,212	1,165,686	(1,115,474)		50,212	509,811	(459,599)	
Electricity	-	-	-		-	-	-	
Total	127,812,468	131,738,458	(3,925,990)		113,667,069	127,626,429	(13,959,360)	

SARAH BAARTMAN DISTRICT MUNICIPALITY
UNAUDITED APPENDIX D

INVESTMENT PORTFOLIO AS AT 30 JUNE 2017

FINANCIAL INSTITUTION	ACCOUNT NUMBER	PERIOD MNTHS	% INT RATE	DATE INVESTED	DATE MATURING	INVEST/MATURE 2016/2017	BALANCE 30 JUNE 2017
ABSA GROUP	2075372721	12	7.620%	29-Jul-15	27-Jul-16	15,000,000	
NEDBANK	7881501480000142	12	7.300%	29-Jul-15	27-Jul-16	7,000,000	
ABSA GROUP	2075530129	11	7.160%	02-Oct-15	02-Sep-16	16,000,000	
ABSA GROUP	2075530111	12	7.230%	02-Oct-15	30-Sep-16	10,000,000	
NEDBANK	7881501480000144	12	7.300%	02-Oct-15	30-Sep-16	2,000,000	
NEDBANK	7881501480000145	10	7.350%	30-Nov-15	30-Sep-16	6,000,000	
STANDARD BANK	088430537190	10	7.486%	30-Nov-15	30-Sep-16	3,000,000	
FNB	74575507924	11	7.800%	02-Dec-15	02-Nov-16	14,000,000	
FNB	74575507312	12	7.900%	02-Dec-15	30-Nov-16	10,000,000	
NEDBANK	7881501480000146	9	7.930%	29-Mar-16	29-Dec-16	28,000,000	
NEDBANK	7881501480000147	8	8.020%	08-Jun-16	08-Feb-17	4,000,000	
STANDARD BANK	088430537192	8	8.271%	08-Jun-16	08-Feb-17	14,000,000	
FNB	74446073187	11	8.511%	29-Mar-16	28-Feb-17	7,000,000	
STANDARD BANK	088430537193	8	8.272%	05-Jul-16	05-Mar-17	8,000,000	
ABSA GROUP	2075926413	12	8.500%	29-Mar-16	28-Mar-17	26,000,000	
Investec	QMJ2565	12	8.550%	29-Mar-16	28-Mar-17	22,000,000	
FNB	74466179121	11	8.250%	08-Jun-16	09-May-17	10,000,000	
STANDARD BANK	088430537194	11	8.447%	05-Jul-16	05-Jun-17	15,000,000	
ABSA GROUP	2076332348	9	8.250%	15-Sep-16	15-Jun-17	10,000,000	
FNB	74450730731	12	8.360%	05-Jul-16	04-Jul-17		5,000,000
STANDARD BANK	088430537195	12	8.649%	05-Jul-16	04-Jul-17		10,000,000
ABSA GROUP	2076331855	10	8.300%	15-Sep-16	17-Jul-17		10,000,000
STANDARD BANK	088430537196	9	8.316%	25-Oct-16	25-Jul-17		8,000,000
ABSA GROUP	2076332380	11	8.360%	15-Sep-16	15-Aug-17		7,000,000
FNB	74550449331	10	8.240%	25-Oct-16	25-Aug-17		3,000,000
ABSA GROUP	2076422371	10	8.200%	25-Oct-16	28-Aug-17		10,000,000
STANDARD BANK	088430537198	5	8.175%	30-Mar-17	30-Aug-17		8,000,000
NEDBANK	7881501480000148	12	8.320%	15-Sep-16	14-Sep-17		5,000,000
ABSA GROUP	2076755374	6	8.050%	30-Mar-17	29-Sep-17		9,000,000
CASH AND CASH EQUIVALENTS							75,000,000
STANDARD BANK	088430537197	10	8.334%	08-Dec-16	09-Oct-17		16,000,000
FNB	74661534302	11	8.350%	08-Dec-16	08-Nov-17		13,000,000
NEDBANK	7881501480000001	11	8.310%	08-Dec-16	08-Nov-17		6,000,000
ABSA GROUP	2076508624	12	8.510%	08-Dec-16	07-Dec-17		17,000,000
Investec	9407463	10	8.200%	30-Mar-17	23-Jan-18		17,000,000
NEDBANK	7881501480000149	11	8.140%	30-Mar-17	02-Mar-18		27,000,000
FNB	74575507924	12	8.300%	30-Mar-17	29-Mar-18		21,000,000
SHORT TERM INVESTMENTS							117,000,000
BALANCE 30 JUNE 2017							192,000,000

SARAH BAARTMAN DISTRICT MUNICIPALITY

ANNUAL PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2017

A handwritten signature in black ink, appearing to be 'S. Baartman', located in the bottom right corner of the page.

SARAH BAARTMAN DISTRICT MUNICIPALITY ANNUAL PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2017

SARAH BAAKMAN DISTRICT MUNICIPALITY ANNUAL PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2017															
2016/16 Financial Year															
Performance Milestones															
Evidence available (Y/N)															
State Brief Plan of Action to Address Projects Lagging and Not Started															
Actual & reason for variance Annual Target															
Annual Target 2016/17															
Actual															
30 Jun 2017 Target															
Year-end Actual															
Annual Target															
GPS															
Department															
Key Performance Indicator															
Project															
Strategy															
DEVELOPMENT PRIORITY 1: INFRASTRUCTURE INVESTMENT															
Objectives	Appointment of experienced professional team	District Wide Infrastructure Plan	District Wide Infrastructure Plan Developed	Planning and Infrastructure Services	Roads	Ten-year Infrastructure Plan Developed for SBDM	This project is still at analysis phase. The project has been delayed due to report but with many municipalities not contributed due to their unavailability.	Draft Infrastructure Plan completed	The draft Infrastructure Plan was not completed.	Ten-year Infrastructure Plan Developed for SBDM	The ten-year infrastructure plan was not completed. Following termination of the director's contract progress was made on the project. Disagreement between the former Director and the consultant with regard to the Terms of Reference and expected outcomes.	Target not Achieved	Met with consultant on 6 July 2017 to clarify the TORs and expected outcome of the project.	Yes	
	To promote and co-ordinate integrated spatial planning in the District	Review and Consolidation of Malmesbury Zoning Scheme Regulations	Reviewed Malmesbury Zoning Scheme	Planning and Infrastructure Services	Planning & Development	NA	NA	Malmesbury Zoning scheme Status quo report completed	Malmesbury Zoning scheme Status quo report not completed.	Malmesbury Zoning scheme Status quo report completed	Malmesbury Zoning scheme Status quo report not completed. This is due to several meetings with Malmesbury LM were postponed due to unavailability of LM's key relevant personnel.	Target not Achieved	A project steering committee was set up. Draft Status Quo Report will only be finalized end of 01/2017/18	Yes	
	To promote and co-ordinate integrated spatial planning in the District	Review and Consolidation of Malmesbury Zoning Scheme Regulations	Reviewed Malmesbury Zoning Scheme	Planning and Infrastructure Services	Planning & Development	Draft Regulations and Status Quo Maps Completed	Draft Regulations have been developed. Malmesbury will be going using this document to public for comments before council approves. Public comments will close in August 2016. Status Quo Maps were completed.	NA	Draft Regulations and Status Quo Maps for Malmesbury was completed during 2nd Quarter 2016/17.	Draft Regulations and Status Quo Maps Completed	Completed	Completed	NA	Yes	
	To promote integration between spatial planning and transportation planning to achieve sustainable human settlement	Implementation of road transportation projects	Construction of a Inter-city Bus Terminal in Graaff Reinet completed	Construction of Inter-City Bus Terminal in Graaff Reinet completed	Planning and Infrastructure Services	Road Transport	Construction of a bus terminus and taxi rank completed	The Project is 100% complete	NA	Construction of the Inter-City Bus Terminus and Taxi Rank completed on 18 July 2016 i.e. 1st quarter of 2016/17.	Construction of a bus Terminus and Taxi Rank completed	Completed	Completed	NA	Yes
	To provide roads infrastructure from basic service to a higher level 100m's per annum over 5 years	Implementation of road projects as mandated by LM's	Rural Roads Asset Management System (RRAMS) completed	Rural Roads Asset Management System set up for SBDM	Planning and Infrastructure Services	Roads	Rural Roads Asset Management System set up for SBDM	100% of roads information on GIS data base complete	100% Roads information/data is on the GIS data base.	100% Roads information/data is on the GIS data base.	Rural Roads Asset Management System installed for SBDM and its LM's	Target Achieved	Target Achieved	NA	Yes
		Rural Roads & Stormwater	Upgrading of Rietfontein Roads & Stormwater (gaining)	Planning and Infrastructure Services	Roads	NA	NA	Upgrading of 500m (gaining) Rietfontein Roads & Stormwater completed	Upgrading of 500m of gaining Rietfontein Roads & Stormwater has not been completed.	Construction (previously 500m of Rietfontein roads Stormwater for SBDM and its LM's	Target not Achieved	Target not Achieved	A proposal by the Department to add the project will be submitted to the Bid Adjudication Committee in July 2017. Subsequently a Bid Evaluation Committee is scheduled for 4 July 2017 where a report will be sent to the Bid Adjudication Committee.	Yes	
		Construction of New Roads in Valencio, Aduis SRM	Construction of 1.3km tar road in Valencio (Sandy's River Valley)	Planning and Infrastructure Services	Roads	NA	NA	Construction of 1.3km tar road completed	Construction of 1.3km tar road is physically completed (in terms of percentage it is 97% complete and 3% is for finalization of snag list).	Construction of 1.3km tar road in Valencio completed	Target not Achieved	Target not Achieved	A site inspection is scheduled to take place on 04 July 2017. Contractor and Consultant must complete snag-list and thereafter contractor must deal with the snag.	Yes	

Objectives	Strategy	Project	Key Performance Indicator	Department	GFS	2016/17 Financial Year		Performance Milestones					Evidence available Y/N	
						Annual Target	Year-end Actual	30 Jun 2017 Target	Actual	Annual Target 2016/17	Actual & reason for variance Annual Target	State if Project is Completed, Target Achieved, Target Not Achieved or Not Started		State Brief Plan of Action to address Projects Lagging and Not Started
To provide the prevention of air pollution and degradation air quality throughout the district		Non-hazardous Main Road (EPWP)	Repair of 1.2km main road in Non-hazardous completed	Planning and Infrastructure Services	Planning & Development	Upgrading of main road 75% complete	The project is at 75% construction progress.	Repair (rehabilitate) of 1.2 km main road in Non-hazardous Road completed	Repair (rehabilitate) of 1.2km main road is completed, but not to an acceptable standard. Four SAMEs which are CDB Grade 1 qualified, were appointed to do leveling, edging and patching on the said road, however, the work is sub-standard. It was agreed that the road need to be repaired in areas where poor working standards were identified. The site inspection is scheduled to take place on 04 July 2017	Repair (rehabilitate) of 1.2km main road completed	Project is being implemented by SRVIM as part of a bigger project of repairing the road. Repair (rehabilitate) of 1.2km main road is completed, but not to an acceptable standard. Four SAMEs which are CDB Grade 1 qualified, were appointed to do leveling, edging and patching on the said road, however, the work is sub-standard. It was agreed that the road need to be repaired in areas where poor working standards were identified. The site inspection is scheduled to take place on 04 July 2017	Target not Achieved	The site inspection is scheduled to take place on 04 July 2017. A report will be completed by the consultant and submitted to the district by 31 July 2017. SRVIM to deal with the quality issues	Yes
			Development of Final Air Quality Management Plan in SBDIM	Planning and Infrastructure Services	Planning & Development	Air Quality Management Plan Complete	Draft Air Quality Management Plan completed	NA	The Final Air Quality Management Plan was completed in quarter 2 2016/17.	Final Air Quality Management Plan Complete	The Final Air Quality Management Plan was completed in quarter 2 2016/17	Completed	NA	Yes
To provide support on cleanliness of the towns and township and to mitigate health risks posed by each landfill site in all the 9 LMs by 2017		Review of Integrated Waste Management Plan for Mafene, Ndembu, Kouga, Kouamame, Blue Crane and SRV	Review of the Final Integrated Waste Management Plan for Mafene, Ndembu, Kouga, Kouamame, Blue Crane and SRV	Planning and Infrastructure Services	Planning & Development	Review of Integrated Waste Management Plan for Mafene, Ndembu, Kouga, Kouamame, Blue Crane and SRV Complete	WMP in progress. A final WMP Plan will be completed in August 2016. The project was delayed due to Additional scope being issued.	NA	Final Review of the Integrated Waste Management Plan for Mafene, Ndembu, Kouga, Kouamame, Blue Crane, Ndembu, Kouga and SRV Completed in Quarter 2.	Final Review of the Integrated Waste Management Plan for Mafene, Ndembu, Kouga, Kouamame, Blue Crane, Ndembu, Kouga and SRV Completed	Final Review of the Integrated Waste Management Plan for Mafene, Ndembu, Kouga, Kouamame, Blue Crane, Ndembu, Kouga and SRV Completed in Quarter 2.	Completed	NA	Yes
DEVELOPMENT PRIORITY 2: CAPACITY BUILDING AND SUPPORT TO LfAs														
To improve efficiency in municipal financial management	Improve corporate governance systems both in the district and LfAs	GRAP Implementation	Provision of assistance to 7 LfAs in respect to GRAP compliance to improve Audit Outcomes	Finance & Corporate Services	Finance and Admin	Provide assistance through 1 training workshops held in GRAP compliance and new standards by making available financial management support to deal with issues raised in the LfAs AG's management letter	The project is on target. Assistance was provided through 1 GRAP training workshop. The district audit findings have been analysed and presented to the CFO Forum. The project plan has been finalised and the deliverables have been agreed upon with LfAs. The project is on target. The service provider has met with all the LfAs. Monthly meetings held and progress monitored.	Monitor and Evaluate 7 LfAs for Improved Financial Management process, policies, procedures and internal controls and dealing with specific AG findings in the district with each local municipality which indicated the priority support areas which support was provided on.	The 7 Local Municipalities were evaluated in terms of the AG audit findings. A Memorandum of Understanding was entered into with each local municipality which indicated the priority support areas which support was provided on.	Provide assistance through 1 training workshops held in GRAP compliance and new standards by making available financial management support to deal with issues raised in the LfAs AG's management letter	Workshop was held with LfAs, in GRAP The 7 Local Municipalities were evaluated in terms of the AG audit findings. A Memorandum of Understanding was entered into with each local municipality which indicated the priority support areas which support was provided.	Target achieved	NA	Yes
DEVELOPMENT PRIORITY 3: ECONOMIC DEVELOPMENT														
Broaden economic participation and inclusion by increasing the number and support to small enterprises by 10%	Promote Social Economy Investment	Development Support to SAMEs/Cooperatives in the Local Municipalities	Combination of 14 SAMEs's and Cooperatives (financially and non-financially) supported in the District	Economic Development	LED	4 SAMEs from LfAs supported. 4 Cooperatives supported. SBDIM facilitating in Agri-eco.	18 SAMEs and Cooperatives supported. 2 Consultative Meetings with Agri-business on the 13 August 2015 and 2nd June 2016 held for the establishment of the District Agri-Park Investment Conference in 2016/17. Closing reports and account of expenditure can only be submitted in the 1st Quarter of the New FY due to slow expenditure and procurement of goods by beneficiaries.	14 SAMEs's and Cooperatives in the District supported financially and non-financially	4 SAMEs's and Coops supported financially and Non-financially in the District	14 SAMEs's and Cooperatives in the District supported financially and non-financially	Only 7 SAMEs in Swatara Valley (Swatara Time Cooperative) financially supported. Unfortunately, the other 3 SAMEs that we also intended to support, the LfAs do not transfer the support. SAMEs' Council on the 20-22 June 2017, with build-up programmes that included the launch of the District Emerging Film-makers Festival.	Target not achieved	To continue with the implementation of the programme (based on the commitment made through Mayo approval) on proposals received and finance it by end of October 2017	Yes

2016/16 Financial Year										Performance Milestones				
Objective	Strategy	Project	Key Performance Indicator	Department	OPS	Annual Target	Year-end Actual	30 Jun 2017 Target	Actual	Annual Target 2016/17	Actual & reason for variance Annual Target	Status if Project is Completed, Target Achieved, Target Not Achieved or Not Started	State Brief Plan of Action to address Projects Lagging and Not Started	Evidence available YN
Building local and regional networks and collaboration through the creation of partnerships with (a) government, (b) the private sector and (c) education / research.	Build Government to Government Partnerships	Implement DST annual programme/selection plan	4 DST meetings and business outreach are held within the District in all 7 LMs. LED capacity building programmes implemented	Economic Development	LED	DST plans are implemented. Phase 2 of the LED capacity Building programme implemented	4th Quarter meeting for DST took place on the 9-10 June at Cape St Francis in KwaZulu-LED capacity building programme with stakeholders completed on 21-24 June to the 18-22 July on the request by Saka. The LED capacity component planned in partnership with NAMAU is under review due to various staff changes and movements at NAMAU and new scope proposed seek to include LED Chis & therefore support that the District has been requested to support 2018 election period (ESDM and council will approve the new approach.	No DST meeting held and 2017/18 meeting could not be held before 30th June 2017 due to the fact that the contracted marketing and advertising agency was not yet finalised. Report will be submitted once meeting is held.	4th DST meetings held. 4th DST meetings could not be held before 30th June 2017 due to the fact that the contracted marketing and advertising agency was not yet finalised. Report will be submitted once meeting is held.	4 DST meetings and business outreach are held within the District in all 7 LMs. LED capacity building programmes implemented	1 DST meeting held and no business opportunities held for 2016/17 Q1 meeting could not be convened due to the fact that the contracted marketing and evaluation workshop of CWP took place. CH meeting was taken over the Youth Economic Summit held in Port Alfred 19-21 June 2017	Target not Achieved	4th DST meeting will be held on the 6-7th July. Outreach will be done with Government and Information Unit this 1st Quarter of the new financial year 2017/18.	Yes
Regenerate core tourism as service and Economic Hubs	Promote Rural tourism and niche services and manufacturing	Tourism Marketing	To conduct review and implementation strategy for the District through participation in Exhibitions, Placement of media adverts, producing marketing materials, supporting festivals, updating sales system, developing product range and conducting seasonal campaigns	Economic Development	Tourism	Tourism marketing strategy reviewed and implemented	Participated at the Tourism Indaba on the 9-10 June at Cape St Francis in KwaZulu-LED capacity building programme with stakeholders completed on 21-24 June to the 18-22 July on the request by Saka. The LED capacity component planned in partnership with NAMAU is under review due to various staff changes and movements at NAMAU and new scope proposed seek to include LED Chis & therefore support that the District has been requested to support 2018 election period (ESDM and council will approve the new approach.	Participated at Tourism Indaba. Winter Campaign roll out. Placements of adverts in at least 2 media channels. LAs signed with the festivals. Developmental programmes in the festival implemented. Tourism packaging implemented						

Objective	Strategy	Project	Key Performance Indicator	Department	GFS	2016/16 Financial Year			Performance Milestones				Evidence available Y/N
						Annual Target	Year-end Actual	Actual	Annual Target 2016/17	Actual & reason for variance Annual Target	Status of Project to Completed, Target Achieved, Target Not Achieved or Not Started	Status Brief Plan of Action to address Projects Laggging and Not Started	
Increase Agricultural Income To provide effective fire fighting capacity all LRA in the district by 2017	Develop skills through mentorship in the Agricultural Sector by increasing the number of semi-skilled emerging farmers by 10%.	Agricultural mentorship programme	Mentorship implemented for Emerging Farmers. Monitoring and Evaluation conducted in 2 LRA's. One new site identified.	Economic Development	LED	3 new mentorship sites active and 5 existing mentorship sites mentored and monitored	One site completed Mentorship evaluation i.e. Sevenstien. Prospective mentor for Koodovale has been identified. 3 sites in Steynville, Camdeboo and Alexandria has been closed off. Progress and RQI Q report submitted to the Department at the end of June 2016. No new sites have been identified for the programme as the programme will be phased out and the DMA to evaluate its role in the sector and with the advent of the Agri-Park programme. The new plan will also be determined by the new organisational strategy processes awaiting the new Council	Mentorship site evaluated and reports submitted to Mayco. DAMAC progress report submitted to Mayco	2 mentorship sites active and 1 site identified as part of the Agri-park programme.	Sevenstien and Koodovale projects are active. Agri-parks site has been identified in Addo.	Target Achieved	NA	Yes
	Provide fire fighting capacity all LRA in the district by 2017	Standardisation of Fire Hydrants in the District	Restoration and standardisation of Fire Hydrants in Malmesbury, BCR and Dr Beyers Naude	Planning and Infrastructure Services	Public Safety	Restoration and standardisation of 150 Fire Hydrants in Kouga, Malmesbury and Malmesbury	The target of 150 Fire Hydrants were achieved. An additional 143 Fire Hydrants were done due to savings on the project.	265 Fire Hydrants installed Malmesbury (17), Blue Crane Route and Dr Beyers Naude (148).	Restoration and standardisation of 400 Fire Hydrants in BCR (195), Dr Beyers Naude (188) and Malmesbury (17)	Restoration and standardisation of 414 Fire Hydrants completed.	Completed	NA	Yes
Mitigate disaster risk	Provide resources	Construction of Malmesbury Integrated Emergency Response Centre	Integrated Emergency Response Centre completed Malmesbury	Planning and Infrastructure Services	Public Safety	Initiation of project construction	This project is 72.5% complete.	Construction of Malmesbury Integrated Emergency Centre is not completed.	Construction of Malmesbury Integrated Emergency Centre completed	Construction of Malmesbury Integrated Emergency Centre is not completed because the electricity upgrade still need to be done by Eskom. However, all the work relating to the building structure has been completed.	Target Not Achieved	It is anticipated that the upgrade of the electricity will be done on 2 July 2017	Yes
		Consultants appointed for Platoron Emergency Disaster Centre	Consultants appointed for Platoron Emergency Disaster Centre	Planning and Infrastructure Services	Public Safety	Construction of Disaster Centre in Platoron	This project is not on target. Although design process commenced, draft drawings have not been finalised by DPW.	The Consultants have not been appointed.	Construction of Disaster Emergency Centre in Platoron completed	The Consultants have not been appointed and the construction of the Platoron Emergency Disaster Centre has not started. The Platoron Disaster Centre must now appoint consultants to do the detailed design. It has not been done yet. The Bid Evaluation Committee did meet to complete a Bid document for procuring of consultants, however the Bid Document could not be finalised.	Not started	Bid Specification Committee meeting is to take place on 3 July and it is anticipated that the services will be awarded to the successful bidder by 15 August 2017 to appoint the consultants.	Yes
	Disaster Risk Reduction through training of artisans	Disaster Risk Reduction through training of artisans	Establishment of a trained team of artisans	Planning and Infrastructure Services	Public Safety	Training of 15 young people as artisans	The training of the 15 artisans were not fully completed due to community unrest which prolonged for more than three months and hence all modules could not be completed. The project is probably at 60% completed.	Training of 15 young people as artisans was completed in Quarter 2 2016/17.	Training of 15 young people as artisans	Training of 15 young people as artisans was completed in Quarter 2 2016/17	Completed	NA	Yes
	Disaster Risk Assessment	Disaster Risk Assessment	Undertake a disaster risk and hazard analysis of the SODM area.	Planning and Infrastructure Services	Public Safety	Risk Assessment of the 6 municipalities	Not on target	Risk Assessment has been undertaken at 7 Local Municipalities (phase 2 - Data collection and Data collection and Consultations), and completed	Risk Assessment of the 7 municipalities	Risk Assessment has been undertaken at 7 Local Municipalities (phase 2 - Data collection and Data collection and Consultations), and completed	Target Not Achieved	The draft report has been sent to the Local Municipalities in SODM for input and comment.	Yes

Objective	Strategy	Project	Key Performance Indicator	Department	GFS	2016/16 Financial Year		Performance Milestones					Evidence available Y/N
						Annual Target	Year-end Actual	30 Jun 2017 Target	Actual	Annual Target 2016/17	Actual & reason for variance Annual Target	State if Project is Completed, Target Achieved, Target Not Achieved or Not Started	
DEVELOPMENT PRIORITY 5: INSTITUTIONAL DEVELOPMENT													
To integrate and synergise operations between Department of Social Development and SDCM on HIV and AIDS on Orphan Vulnerable Children Programmes annually	To work closely with DSD and other organisations working with OVCs	Implementation of the HIV/AIDS Plan	100% Implementation of the HIV/AIDS Plan	Municipal Manager	Community and Social Services	HIV/AIDS Plan implemented through, HCT and TB Campaigns and Household surveys	Hosted Provincial World TB Day on 07/04/2016 in partnership with Makana LAC, DOH and ECAC. Conducted Advocacy Program in Schools (Rondebosse & Mwenyane High School) Conducted Door to Door in Jozza Location (West 2, Makana)	Support Makana LAC and DAC (Support in Establishing the LAC and Development of an Operational Plan)	Support to Makana Local Municipality LAC was not done. It was difficult to get Makana Local Municipality officials to establish the Operational Plan, was not done due to the fact that Makana was preparing for the Grahamstown Arts Festival.	HIV/AIDS Plan implemented through, HCT and TB Campaigns and Household surveys was not fully implemented due to various reasons (new programmes initiated, lack of co-operation from stakeholders and LACs, lack of capacity of LM officials).	Not achieved	HIV/AIDS Plan being aligned with the new Provincial Plan and will be implemented in 2017/18.	Yes

Note

1. Non financial support could be training and development in Business Management, Skills Development and Market Development.
2. LED Capacity Building Programme is training of LED officials in the District.
3. Institutional Support is rendered to ensure continued existence of LYOs as an obligation entrusted to the District through National Tourism Sector Strategy